

**OFFICIAL STATEMENT DATED MAY 14, 2014**

Rating: See "Rating" herein.  
Moody's Investors Service, Inc.: Aaa

**New Issue**

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

**TOWN OF BROOKLINE, MASSACHUSETTS**  
**\$8,400,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS**

**DATED**  
Date of Delivery

**DUE**  
May 15  
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable May 15 of the years in which the Bonds mature. Interest on the Bonds will be payable May 15 and November 15, commencing November 15, 2014. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Brookline, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS**

<u>Due</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>113745</u>	<u>Due</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>113745</u>
2015	\$ 725,000	4.00 %	0.15 %	U50	2023	\$ 730,000	3.00 %	1.90 %	V59
2016	725,000	4.00	0.35	U68	2024	730,000	3.00	2.00	V67
2017	725,000	4.00	0.62	U76	2025	225,000	3.00	2.15	V75
2018	725,000	4.00	0.93	U84	2026	225,000	3.00	2.35	V83
2019	725,000	4.00	1.12	U92	2027	225,000	3.00	2.50	V91
2020	725,000	4.00	1.35	V26	2028	230,000	3.00	2.60	W25
2021	725,000	4.00	1.55	V34	2029	230,000	3.00	2.70	W33
2022	730,000	4.00	1.75	V42					

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Brookline, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about May 29, 2014, against payment to the Town in federal funds.

**Raymond James & Associates, Inc.**

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The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of Brookline, since the date hereof.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Wednesday, May 14, 2014, 11:00 A.M. (Eastern Time).
Location of Sale:	First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Brookline, Massachusetts.
Issue:	\$8,400,000 General Obligation Municipal Purpose Loan of 2014 Bonds, see "THE BONDS Book-Entry Transfer System" herein.
Official Statement Dated:	May 29, 2014.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially May 15, 2015 through May 15, 2029 as detailed herein.
Purpose and Authority:	Bond proceeds will be used to finance and refinance various municipal capital projects, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."
Redemption:	The Bonds are subject to redemption prior to their stated maturity dates as described herein.
Security:	The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
Credit Rating:	The Town has applied to Moody's Investors Service, Inc. for a rating on the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <b><u>No bid of less than par plus a premium of \$75,000 will be accepted.</u></b>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds <u>will be</u> designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Edwards Wildman Palmer LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about May 29, 2014, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Mr. Stephen E. Cirillo, Finance Director/Treasurer, Town of Brookline, Massachusetts telephone (617) 730-2317 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

**NOTICE OF SALE**  
**TOWN OF BROOKLINE, MASSACHUSETTS**  
**\$8,400,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS**

The Town of Brookline, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, May 14, 2014, for the purchase of the following described General Obligation Municipal Purpose Loan of 2014 Bonds of the Town (the "Bonds"):

\$8,400,000 General Obligation Municipal Purpose Loan of 2014 Bonds payable May 15 of the years and in the amounts as follows:

<u>Due May 15</u>	<u>Principal Amount*</u>	<u>Due May 15</u>	<u>Principal Amount*</u>
2015	\$ 725,000	2023	\$730,000
2016	725,000	2024	730,000
2017	725,000	2025	225,000 **
2018	725,000	2026	225,000 **
2019	725,000	2027	225,000 **
2020	725,000	2028	230,000 **
2021	725,000	2029	230,000 **
2022	730,000		

\*Preliminary, subject to change.

\*\* Callable maturities. May be combined into one or two Term Bonds.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on May 15 of the years in which the Bonds mature. Interest will be payable on May 15 and November 15, commencing November 15, 2014.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Bonds maturing on and after May 15, 2025 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

For the Bonds maturing on and after May 15, 2025, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Any Term Bond shall be subject to mandatory redemption on May 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or **(b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par plus a premium of \$75,000 will be accepted.**

### **Bidding Parameters**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

**The Town reserves the right to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof, as necessary to structure the debt service on the golf course component of the Bonds to be as close to equal on an annual basis as practicable through the final maturity. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the annual principal amounts of the Bonds to be issued. The final annual principal amounts will be communicated to the successful bidder as soon as possible, but not later than 4:00 P.M. on the date of the sale of the Bonds.**

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Stephen E. Cirillo, Finance Director/Treasurer, Town of Brookline, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Brookline has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's

Investors Service for a rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 14, 2013, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated May 6, 2014.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

Additional information concerning the Town of Brookline and the Bonds is contained in the Preliminary Official Statement dated May 6, 2014, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of May 14, 2014 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about May 29, 2014 for settlement in federal funds.

May 6, 2014

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TOWN OF BROOKLINE, MASSACHUSETTS  
/s/ Stephen E. Cirillo, Finance Director/Treasurer

**OFFICIAL STATEMENT  
TOWN OF BROOKLINE, MASSACHUSETTS  
\$8,400,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Brookline, Massachusetts (the "Town") in connection with the sale of \$8,400,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2014 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on May 15 and November 15 of each year until maturity, commencing November 15, 2014, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated May 6, 2014. The Bonds shall mature on May 15 of the years and in the principal amounts as set forth on the cover page of this Preliminary Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

**Redemption Provisions**

The Bonds are subject to redemption as described below.

**Optional Redemption**

The Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Bonds maturing on and after May 15, 2025 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

**Notice of Redemption**

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

**Record Date**

The record date for each payment of interest is the last business day of the month preceding the interest payment date, however, if such date is not a business day, the record date shall be the next succeeding business day, and provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

## Book-Entry Transfer System

DTC (defined above), will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such



Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

### Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, dates of Town approval and statutory authorizations for the current offering of Bonds:

This Issue	Purpose	Amount Originally Authorized	Date of Authorization	Law Cite	Article
\$ 350,000	Golf Course	\$ 2,840,000	2001 ATM	Ch. 44 s. 7(25)	7, item 87 & 88
1,000,000	Waste Water	5,500,000	5/23/2006	Ch. 44 s. 7(1) & 7(1A)	7, item 73
1,500,000	Municipal Service Center	2,500,000	5/28/2013	Ch. 44 s. 7(3A)	8, item 65
1,200,000	Fisher Hill Park	1,200,000	5/28/2013	Ch. 44 s. 7(25)	8, item 66
1,350,000	Roof Replacement	1,350,000	5/28/2013	Ch. 44 s. 7(3A)	8, item 67
3,000,000	Lincoln School	3,000,000	5/28/2013	Ch. 44 s. 7(3A)	8, item 68
<u>\$ 8,400,000</u>	Total				

### Principal Maturities by Purpose

Year	Sewer	School	General	Golf Course	Total
2015	\$ 100,000	\$ 200,000	\$ 405,000	\$ 20,000	\$ 725,000
2016	100,000	200,000	405,000	20,000	725,000
2017	100,000	200,000	405,000	20,000	725,000
2018	100,000	200,000	405,000	20,000	725,000
2019	100,000	200,000	405,000	20,000	725,000
2020	100,000	200,000	405,000	20,000	725,000
2021	100,000	200,000	405,000	20,000	725,000
2022	100,000	200,000	405,000	25,000	730,000
2023	100,000	200,000	405,000	25,000	730,000
2024	100,000	200,000	405,000	25,000	730,000
2025	-	200,000	-	25,000	225,000
2026	-	200,000	-	25,000	225,000
2027	-	200,000	-	25,000	225,000
2028	-	200,000	-	30,000	230,000
2029	-	200,000	-	30,000	230,000
Total	<u>\$ 1,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 4,050,000</u>	<u>\$ 350,000</u>	<u>\$ 8,400,000</u>

## Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect

to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility,

health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” under (See “Types of Obligation - *Serial Bonds and Notes*” under “INDEBTEDNESS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

## **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

## **Rating**

Moody's Investors Service has assigned a rating of Aaa to the Bonds. The rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of First Southwest Company**

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Brookline, Massachusetts.

## **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

# THE TOWN OF BROOKLINE, MASSACHUSETTS

## Description

The Town of Brookline was founded in 1630 as a part of Boston and was incorporated as a town in 1705. It is located in Norfolk County and borders Boston to the east, north and south, and Newton to the west. It is approximately 6.8 square miles in area and, according to the 2010 federal census, has a population of 58,732 persons.

## Local Government

The Town operates under a Board of Selectmen/Representative Town Meeting form of government. Local legislative decisions are made by a representative town meeting consisting of 251 members and implemented by a five-member Board of Selectmen. Day-to-day matters are handled by a Town Administrator who is appointed by the Board of Selectmen. The Town Administrator is the chief operating officer and department heads are generally under his or her supervision.

School affairs are administered by a school committee of nine persons, elected for staggered three-year terms on an at-large basis.

Local taxes are assessed by a board of assessors, appointed for staggered three-year terms.

## Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Selectmen	Betsy DeWitt, Chairperson	Elected – 3 years	2015
	Kenneth Goldstein	Elected - 3 years	2015
	Richard Benka	Elected - 3 years	2014
	Nancy Daly	Elected - 3 years	2014
	Neil Wishnisky	Elected – 3 years	2016
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2016
Finance Director/Collector/Treasurer	Stephen E. Cirillo	Appointed - 1 year	2014
Town Clerk	Patrick J. Ward	Elected - 3 years	2015
Comptroller	Michael F. DiPietro	Appointed - 1 year	2014
Town Counsel	Joslin Murphy	Appointed - 3 years	2017

## Services

*Public Safety* - The Town provides police and fire protection. The Town also provides animal control services and building inspection.

*Public Works* - Through its public works department the Town maintains highways, provides snow removal, maintains parks and cemeteries, and provides water and sewer services.

*Library* - The Town Library is funded and operated by the Town, and houses approximately 367,000 volumes.

*Senior Citizens* - The Town provides a Council on Aging that administers services such as a low-cost lunch program, bus service and activities for elderly citizens.

*Recreation* - The Town provides numerous recreational facilities and activities, including a municipal golf course, a swimming pool, a summer day camp, tennis courts, parks and playgrounds.

*Education* - The Town school system includes eight elementary schools (grades K-8) and one senior high school, with a combined enrollment of more than 7,000. Vocational programs are provided by the Unified Arts Department of the Brookline High School.

## Student Enrollments

AS OF OCTOBER 1,

	Average Annual Enrollment					Projected
	2009	2010	2011	2012	2013	2014
Pre-Kindergarten to 6	3,492	3,631	3,778	3,964	4,129	4,200
Grades 7-8	798	838	874	863	938	1,028
Grades 9-12	1,782	1,748	1,726	1,777	1,774	1,802
Ungraded	-	-	-	-	-	-
Total	<u>6,072</u>	<u>6,217</u>	<u>6,378</u>	<u>6,604</u>	<u>6,841</u>	<u>7,030</u>

Source: Massachusetts Department of Education - As of December, each year.

## Population

	Brookline		Norfolk County		Massachusetts	
	Total	% Change From Prior Census	Total	% Change From Prior Census	Total	% Change From Prior Census
2010	58,732	2.8%	670,850	3.2%	6,547,629	3.1%
2000	57,107	4.4	650,308	5.6	6,349,097	5.5
1990	54,718	(0.6)	616,087	1.0	6,016,425	2.1
1980	55,062	---	606,587	---	5,737,037	---

Source: U.S. Department of Commerce, Bureau of the Census for 2010, 2000, 1990 and 1980.

## Age

	Brookline	Norfolk County	Massachusetts
Percentage of the Population:			
Under 5 Years	5.2%	5.6%	5.6%
5 Years to 19 Years	16.2	19.5	19.4
20 Years to 64 Years	65.4	60.4	61.3
Over 65 Years	13.2	14.4	13.7
Median Age	35.7	40.4	38.9

Source: U.S. Department of Commerce, Bureau of the Census (2011 5 year estimates).

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training, in February 2014, the Town had a total labor force of 34,337, of whom 33,283,45 were employed and 1,054 or 3.1% were unemployed, as compared with 6.5% unemployed for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2009 through 2013 versus unemployment rates for the County and the Commonwealth for the same period:

Calendar Year	Town of Brookline			Unemployment Rate	
	Labor Force	Number Employed	Unemployment Rate	Norfolk County	Massachusetts
2013	34,297	33,013	3.7%	6.6%	7.4%
2012	34,651	33,462	3.4	5.6	6.7
2011	34,210	32,903	3.8	6.6	8.3
2010	32,740	31,142	4.9	7.6	8.5
2009	32,370	30,635	5.4	7.3	10.5

Source: Massachusetts Department of Employment and Training. Data based on place of residence, not employment.

## Employment by Industry

Industry	Calendar Year Average				
	2008	2009	2010	2011	2012
Construction	405	369	386	394	377
Manufacturing	161	152	182	182	176
Trade, Transportation and Utilities	1,696	1,608	1,570	1,566	1,575
Information	488	506	447	490	495
Financial Activities	955	963	832	785	780
Professional and Business Services	2,162	2,120	1,444	1,544	1,636
Education and Health Services	5,057	5,094	6,595	6,841	6,886
Leisure and Hospitality	2,306	2,234	2,360	2,481	2,598
Other Services	784	789	827	862	945
Total Employment	14,014	13,835	14,643	15,145	15,468
Number of Establishments	1,599	1,635	1,696	1,728	1,708
Average Weekly Wages	\$ 852	\$ 879	\$ 1,212	\$ 1,227	\$ 1,276
Total Wages	\$ 650,227,638	\$ 663,348,378	\$ 968,462,751	\$ 1,015,778,464	\$ 1,077,044,520

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

## Major Employers – 2013

Name	Nature of Business	Number of Employees
Hebrew Senior Life	Nursing Home	2,200
Partner's Research Facility	Medical Research	1,331
Dana Farber	Nonprofit Office	502
Bournewood	Hospital	294
Coolidge House	Nursing Home	250
Newbury College	College	198
Pine Manor College	College	175
Trader Joe's	Supermarket	170
Dexter/Southfield (Clay) School	Private school	167
Arbour HRI	Hospital	162

Source: Massachusetts Department of Revenue.

## Personal Income

	Brookline		Norfolk County		Massachusetts	
	Amount	% Change From Prior Census	Amount	% Change From Prior Census	Amount	% Change From Prior Census
Per Capita:						
2010	\$63,028	42.2%	\$42,371	30.4%	\$22,966	30.9%
2000	44,327	53.0	32,484	54.0	25,952	51.0
1989	29,044	152.5	21,091	138.9	17,224	131.0
1987 (Est.)	22,610	13.2	17,405	14.7	14,389	15.0
1985 (Est.)	19,976	20.9	15,169	19.8	12,510	19.0
Median Family Income (2010)	\$139,787		\$101,870		\$81,165	

Source: U.S. Department of Commerce, Bureau of the Census.



## Building Permits (1)

<u>Calendar Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>	<u>Total Taxable Value</u>
2013	12	1	13	\$ 17,874,041
2012	12	0	12	6,953,000
2011	28	0	28	21,657,937
2010	5	1	6	2,713,000
2009	12	1	13	12,407,500

Source: Town of Brookline Building Commissioner

(1) New buildings only.

## Housing

	<u>Brookline</u>	<u>Norfolk County</u>	<u>Massachusetts</u>
Median Value of Occupied Non-Condominium Housing Units	\$681,200	\$398,100	\$343,500
% Year-Round Housing Units Built 1939 or earlier	55.4%	29.5%	35.4%
% Year-Round Housing Units Built since 2000	2.7%	6.7%	6.7%

Source: U.S. Department of Commerce, Bureau of the Census (2011 5 year estimates).

## Economic/Industrial Development

The Economic Development Advisory Board ('EDAB') is comprised of 12 citizens of the Town appointed by the Board of Selectmen who are established professionals in business development, commercial development, and related fields. The EDAB defines its mission as fostering appropriate economic growth and promoting the vitality of the Town's commercial areas. A five year Economic Development Plan was created in 2012 that lays out three focus areas: enhance tax growth from commercial properties; aid the growth of existing businesses and attract new businesses; and improve the functional and aesthetic qualities of public space in commercial areas.

The Town's economic development efforts have yielded significant accomplishments within the last several years, including new zone permitting for two hotel developments – one planned to break ground Spring 2014 and the other in 2015. Additionally, the EDAB led efforts for a proposed Spring 2014 zoning change to permit above ground parking at Brookline Place, a long-awaited office/medical office facility with an estimated additional annual tax revenue of over \$2 million per year.

Efforts to aid the growth of existing and new businesses have included creating a "How to Open a Business in Brookline" guide, meeting with the Town's largest employers to discuss Town assistance, a customer intercept survey, support of community-based events in commercial areas, assisting new business organizations such as Local First, and providing analysis of census, market, and vacancy data to businesses and property owners.

Finally, work to improve the functional and aesthetic qualities of commercial areas' public space included a food truck pilot program, short-term leasing of the Town-owned old Lincoln School, negotiating public benefits and mitigation from large commercial developments, staffing the shared bike Hubway program, and managing a streetscape capital improvements program throughout Town.

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations," below. As to the inclusion of debt service and final judgments, see "Security and Remedies," above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the Massachusetts Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the Commonwealth's Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

### Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the following fiscal years:

	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010
<b>GROSS AMOUNT TO BE RAISED(1)</b>					
Appropriations	\$ 246,863,910	\$ 240,927,627	\$ 225,025,340	\$ 216,962,102	\$ 219,737,924
Other Local Expenditures	136,026	134,160	131,839	278,858	128,079
State and & County Charges	6,199,912	6,087,819	5,671,508	5,556,335	5,550,741
Overlay Reserve (2)	1,726,503	1,958,780	1,910,493	1,795,169	1,618,338
Total Gross Amount to be Raised:	<u>254,926,351</u>	<u>249,108,386</u>	<u>232,739,180</u>	<u>224,592,464</u>	<u>227,035,082</u>
<b>LESS ESTIMATED RECEIPTS AND OTHER REVENUE:</b>					
Estimated Receipts from State (3)	16,659,162	15,131,276	13,383,563	13,796,542	16,536,492
Estimated Receipts - Local	50,257,860	48,619,768	46,167,398	45,328,797	45,576,697
Available Funds Appropriated					
Free Cash	7,655,155	5,336,413	5,380,264	4,590,079	7,053,295
Other Available Funds	4,570,272	9,883,319	4,187,467	2,998,760	5,187,425
Total Estimated Receipts and Other Revenue	<u>79,142,449</u>	<u>78,970,776</u>	<u>69,118,692</u>	<u>66,714,178</u>	<u>74,353,909</u>
<b>NET AMOUNT TO BE RAISED (TAX LEVY):</b>	<b>\$ 175,783,902</b>	<b>\$ 170,137,610</b>	<b>\$ 163,620,488</b>	<b>\$ 157,878,286</b>	<b>\$ 152,681,173</b>
Property Valuation (000)	\$ 16,151,084	\$ 15,519,229	\$ 15,264,163	\$ 14,926,163	\$ 14,841,644
Tax Rate per \$1,000:					
Residential	\$ 11.39	\$ 11.65	\$ 11.40	\$ 11.30	\$ 10.97
Other (4)	\$ 18.50	\$ 18.97	\$ 18.58	\$ 18.30	\$ 17.80

Source: Massachusetts Department of Revenue.

Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

- (1) Includes water, sewer and golf course department budgets.
- (2) Allowance for abatements.
- (3) In fiscal 2010, local aid from the Commonwealth was reduced by \$3.01 million (19%) from fiscal 2009, exclusive of MSBA reimbursement. In fiscal 2011, the reduction was \$0.7 million (5%) from fiscal 2010, exclusive of MSBA reimbursement.
- (4) Commercial/Industrial/Personal Property.

## Assessed Valuation

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "INDEBTEDNESS – Debt Limits" below.

Valuation of real and personal property in Brookline is established by the Town's Board of Assessors. The Town underwent revaluation most recently in 2012. The following table sets forth the trend in the Town's assessed and equalized valuations (see "State Equalized Valuation," below):

Fiscal Year	Real Estate Valuation	Property Valuation	Assessed Valuation (1)	Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized Valuation
2014	\$ 16,151,083,800	\$ 191,578,140	\$ 16,342,661,940	\$ 16,226,713,800	100.7 %
2013	15,334,639,640	184,589,740	15,519,229,380	16,226,713,800	95.6
2012	15,084,958,400	179,205,020	15,264,163,420	16,024,896,500	95.3
2011	14,781,018,800	145,418,280	14,926,437,080	16,024,896,500	93.1
2010	14,703,432,300	138,212,160	14,841,644,460	15,563,591,600	95.4

(1) Source: Town's Board of Assessors.

(2) Source: Massachusetts Department of Revenue.

## Classification of Property

Following is a breakdown by classification of the Town's assessed valuations for the current and two prior fiscal years:

Property Type	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 14,744,840,400	90.2 %	\$ 14,045,797,140	90.5 %	\$ 13,824,754,700	90.6 %
Commercial	1,392,313,500	8.5	1,274,617,400	8.2	1,246,068,700	8.2
Industrial	13,929,900	0.1	14,225,100	0.1	14,135,000	0.1
Personal	191,578,140	1.2	184,589,740	1.2	179,205,020	1.2
Total Real Estate	<u>\$ 16,342,661,940</u>	<u>100.0 %</u>	<u>\$ 15,519,229,380</u>	<u>100.0 %</u>	<u>\$ 15,264,163,420</u>	<u>100.0 %</u>

(1) Source: Town's Board of Assessors.

## Major Taxpayers

Following is a list of the Town's major taxpayers based on assessed valuations for fiscal 2014, all of whom are current in their tax payments:

Name	Nature of Business	FY 14 Assessed Valuation	FY14 Property Tax	Percent of Net Levy
The Hamilton Company	Apartments	\$ 117,590,900	\$ 1,340,887	0.77 %
Trustees of Boston University	Higher Education	111,273,500	1,667,125	0.96
National Development	Office Building	92,424,700	1,153,148	0.66
Chestnut Hill Realty	Apartments	82,814,900	920,052	0.53
The Davis Companies	Office Building	81,914,100	1,478,286	0.85
Boston Edison/Nstar Electric	Electric Utility	79,727,170	1,437,615	0.83
HRCA Brookline Housing	Apartments	66,494,100	750,910	0.43
Keypoint Partners LLC	Office Building	62,534,100	961,722	0.55
The Country Club	Private Golf Club	48,929,640	907,584	0.52
Hersha Hospitality LP (Marriott)	Hotel	47,489,100	791,542	0.45
Boston Gas Company/National Grid	Gas Distribution	38,458,100	623,455	0.36
1501 Beacon Street LLC	Apartments	38,328,300	424,523	0.24
Lawrence Kaplan Trust	Residential	36,182,400	409,093	0.24
Brookline Hospitality LLC (Holiday Inn)	Hotel	33,348,600	517,040	0.30
1101 Beacon Street Associates LP	Office/Apartments	32,987,900	474,726	0.27
		<u>\$ 970,497,510</u>	<u>\$ 13,857,708</u>	<u>7.19 %</u>

Source: Board of Assessors.

## State Equalized Valuation

In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the full and fair cash value of the taxable property in each municipality. This is known as "equalized value." The following table sets forth the trend in equalized valuations of the Town of Brookline:

As of January 1	State Equalized Valuation
2012	\$ 16,264,277,000
2010	16,024,896,500
2008	15,563,591,600
2006	14,826,752,900
2004	12,574,894,600
2002	9,669,674,100
2000	7,371,209,100

## Tax Collections

The Town has accepted a statute providing for quarterly tax payments; under the statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum retroactive to one month before the due date.

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. It is the Town's practice to commence taking of real property for non-payment of taxes within two years from the due date of the taxes.

The Town is authorized to increase each tax levy by an amount approved by the Massachusetts Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with approval of the Commissioner of Revenue. But uncollected real property taxes are not ordinarily written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

Following is a summary of the Town's tax collections for the last five fiscal years:

<u>Fiscal Year</u>	<u>Tax Rate Per \$1,000 (1)</u>	<u>Total Tax Levy</u>	<u>Net Tax Levy (2)</u>	<u>% of Net Collected at FY End (3)(4)</u>	<u>% of Net Collected at December 31, 2013</u>
2013	\$11.65-R 18.97-O	\$170,194,288	\$167,842,940	98.7%	99.5%
2012	11.40-R 18.58-O	163,627,088	161,716,595	99.3	100.0
2011	11.30-R 18.30-O	157,894,288	156,099,119	99.0	100.0
2010	10.97-R 17.80-O	152,681,173	151,062,835	99.1	100.0
2009	10.69-R 17.32-O	147,273,068	145,738,042	98.9	100.0

Source: Board of Assessors as to rates and levies; Town Collector as to collections.

(1) R - Residential; O - Other (commercial, industrial, personal property).

(2) Net of overlay reserve for abatements.

(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

(4) i.e., at the end of the fiscal year for which levied.

## Overlay and Abatements

The following table sets forth the amount of overlay reserve for the last five fiscal years and abatements or exemptions granted through June 30, 2013 of each levy year.

<u>Fiscal Year</u>	<u>Overlay Allowance</u>		<u>Abatements Granted At June 30, 2013(1)</u>	<u>Overlay Transfers</u>	<u>Overlay Excess (Deficit)</u>
	<u>Dollar Amount</u>	<u>Percent of Total Levy</u>			
2013	\$ 1,958,780	1.15 %	\$ 391,740	\$ -	\$ 1,556,040 (2)
2012	1,910,493	1.17	626,509	-	1,283,984
2011	1,795,169	1.14	706,704	700,000	388,465
2010	1,618,338	1.06	895,670	350,000	372,668
2009	1,535,059	1.04	1,288,121	-	246,938

Source: Town Collector.

(1) Includes real estate and personal property tax abatements for five prior fiscal years. At the Fall Annual Town Meeting in November 2012, the Town voted to transfer \$1,750,000 overlay surplus to fund the feasibility / schematic design phase of the Devotion School project.

(2) \$1 million was declared surplus and is being appropriated at the Annual Town Meeting for the feasibility/schematic design phase of the Driscoll School Project.

## Taxes Outstanding

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right to redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

The following table presents aggregate taxes outstanding, tax titles and tax possessions for the last five fiscal years:

As of June 30	Aggregate Taxes Outstanding (1)	Tax Titles	Tax Possessions
2013	\$ 2,019,967	\$ 1,181,226	-
2012	1,346,616	1,553,743	-
2011	1,604,165	1,379,551	-
2010	1,355,129	1,446,044	-
2009	1,500,776	1,265,379	-

Source: Town Collector.

(1) For the last five fiscal years. Excludes abated taxes. Includes taxes in litigation if any.

## Sale of Tax Receivables

Legislation enacted in 1996 authorizes public sales by cities and towns of delinquent property tax receivables, with individually or in bulk. The Town does not expect to utilize this option at the present time.

## Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The Commonwealth’s Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

## Unused Levy Capacity (1)

The following table sets forth the Town's tax levy limits and unused levy capacity for the following fiscal years:

	Fiscal Year				
	2014	2013	2012	2011	2010
Primary Levy Limit (2)	\$ 408,566,549	\$ 341,957,266	\$ 336,152,486	\$ 327,984,637	\$ 371,041,112
Prior Fiscal Year Levy Limit	168,537,755	162,553,809	156,653,254	151,047,971	145,644,643
2.5% Levy Growth	4,213,444	4,063,845	3,916,331	3,776,199	3,641,116
Current Fiscal Year New Growth (3)	1,935,408	1,920,101	1,984,224	1,829,084	1,762,212
Current Fiscal Year Override	-	-	-	-	-
Growth Levy Limit	174,686,607	168,537,755	162,553,809	156,653,254	151,047,971
Current Fiscal Year Debt Exclusions	1,112,800	1,630,808	1,090,408	1,258,944	1,667,074
Current Fiscal Year Capital Expenditure Override	-	-	-	-	-
Tax Levy Limit	175,799,407	170,168,563	163,644,217	157,912,198	152,715,045
Tax Levy	175,783,902	170,137,610	163,620,488	157,878,286	152,681,173
Unused Levy Capacity (4)	15,505	30,953	23,729	33,912	33,872
Unused Primary Levy Capacity (5)	\$ 233,879,942	\$ 173,419,511	\$ 173,598,677	\$ 171,331,383	\$ 219,993,141

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

## Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

## Proposition 2½

Since the passage of Proposition 2½ in 1980, the Town approved a permanent operating override in the amount of \$2,960,000 in fiscal 1995 and has voted to exempt debt service on \$56,800,000 principal amount of bonds from its limitations; i.e., \$13,000,000 in 1990 for the construction of a new elementary school and \$43,800,000 in 1995 for a comprehensive high school remodeling project.

On May 6, 2008, the Town voted a permanent operating override in the amount of \$6.2 million by a 5,236 to 4,305 vote margin.

## Tax Increment Financing For Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). The Town has not approved any development districts.



## **Initiative Petitions**

Various proposals have been presented in recent years for amendments to the Massachusetts Constitution to impose limits on state and local taxes. In order to be adopted, such constitutional amendments must be approved by two successive legislatures and then by the voters at a state election.

## **Community Preservation Act**

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not adopted the Community Preservation Act.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See "STATE DISTRIBUTIONS" below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

### Operating Budget Trends

	FY 10 Budget	FY 11 Budget	FY 12 Budget	FY 13 Budget	FY 14 Budget
General Government	\$ 7,358,456	\$ 7,459,927	\$ 7,530,240	\$ 7,664,735	\$ 7,810,830
Public Safety	33,644,611	33,810,858	33,916,401	34,788,087	35,252,414
Public Works (1)	12,879,990	12,772,571	13,047,912	13,525,976	14,051,437
Human Services	2,205,625	2,210,741	2,283,803	2,390,917	2,400,361
Leisure Services	4,438,745	4,407,760	4,535,121	4,709,129	4,771,185
Debt Service	12,572,215	9,594,781	10,404,421	10,046,874	9,583,111
Retirement	13,258,716	13,999,954	14,612,334	15,767,048	17,385,688
Group Insurance	24,323,604	22,709,947	23,481,929	25,805,300	28,203,063
Other Personnel Benefits	4,232,000	4,114,000	4,729,000	4,009,225	4,641,014
Education	68,823,845	72,043,133	75,387,188	79,079,824	82,780,770
Non-Departmental	3,752,588	2,863,427	3,082,885	2,907,707	3,640,706
Special Appropriations (2)	9,260,572	7,102,000	6,979,000	12,933,500	8,581,000
Salary Reserves (3)	-	475,000	1,175,000	1,775,000	1,900,000
Total	<u>\$ 196,750,967</u>	<u>\$ 193,564,099</u>	<u>\$ 201,165,234</u>	<u>\$ 215,403,322</u>	<u>\$ 221,001,579</u>

Source: Town Comptroller.

(1) Water and Sewer are accounted for in enterprise funds.

(2) These are "pay-as-you-go" capital projects

(3) FY10 Salary Adjustments are within departments.

## Capital Improvements Program

To address the Town's capital improvement needs in a fiscally prudent manner, the Town has a multi-year Capital Improvements Program ("CIP") which serves as a guide for the Town in establishing priorities for the timing of future capital projects. Among the policies considered in the preparation of the CIP are: the use of state and/or federal grant funding wherever possible; self-supporting debt through enterprise revenues; bond maturities reflecting the useful life of the capital project being funded (usually 10 years or less); and the ratio of net direct debt service to net operating revenue.

The current Capital Improvements Program for the six-year period FY 2014-2019 proposes capital expenditures having a gross cost of \$171,028,765.

### Costs of the Capital Improvements Program Yearly by Source of Funds

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	TOTAL
Property Tax	\$ 3,762,255	\$ 3,910,162	\$ 3,391,737	\$ 4,012,143	\$ 739,204	\$ 1,579,636	\$ 17,395,137
Free Cash	4,818,744	3,102,024	3,215,485	3,050,326	3,423,542	3,563,870	21,173,991
Overlay Surplus	-	-	-	-	-	-	-
General Fund Bond	62,050,000	5,450,000	1,970,000	2,000,000	2,300,000	6,420,000	80,190,000
State / Federal Grants	37,348,938	1,623,938	5,939,947	948,938	948,938	948,938	47,759,637
Utility Budget	260,000	-	-	-	-	-	260,000
Utility Bond	-	-	3,000,000	-	-	-	3,000,000
CDBG (2)	-	-	250,000	-	-	-	250,000
Other	100,000	100,000	800,000	-	-	-	1,000,000
<b>TOTAL</b>	<b>\$ 108,339,937</b>	<b>\$ 14,186,124</b>	<b>\$ 18,567,169</b>	<b>\$ 10,011,407</b>	<b>\$ 7,411,684</b>	<b>\$ 12,512,444</b>	<b>\$ 171,028,765</b>

Source: Town Finance Director.

## Revenues

**Property Taxes:** Property taxes are the major source of revenue of the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "PROPERTY TAXATION - Tax Limitations," above.

**State Distributions:** In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the Commonwealth's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following are state aid payments received by the Town for the last five fiscal years and estimated for the current fiscal year:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2014 (est.)	\$21,463,668
2013 (1)	27,282,665
2012 (1)	25,334,852
2011 (1)	19,718,413
2010	16,912,114
2009	18,616,534

Source: Town Comptroller.

(1) Includes school construction grants from the Massachusetts School Building Authority (\$6,771,408 in FY2013, \$5,547,769 in FY2012 and \$912,112 in FY2011).

### **School Building Assistance Program**

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the MSBA to finance and administer the school building assistance program. The MSBA has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the MSBA on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The MSBA promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The MSBA expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the MSBA and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## Federal Aid

In addition to state aid, the Town receives annually certain amounts of federal aid. Presented below is a five-year history of the Town's federal aid receipts:

<u>Fiscal Year</u>	<u>Federal Aid Receipts</u>
2013	\$5,613,734
2012	4,393,415
2011	7,194,443
2010	7,185,845
2009	4,985,207

Source: Town Comptroller.

**Motor Vehicle Excise Tax:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also after a hearing suspend the owner's operating license or registration by the Commonwealth's Registrar of Motor Vehicles.

The following table presents a five-year history of motor vehicle excise tax receipts of the Town:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2013	\$5,334,089
2012	4,996,690
2011	5,178,153
2010	4,757,579
2009	5,077,548

Source: Town Finance Director.

(1) Net after refunds. Includes receipts from prior years' levies.

**Room Occupancy Tax:** In 1985 the State legislature made available a local option room occupancy excise tax as an additional source of revenue for municipalities. Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the Commonwealth's Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town is currently levying this tax at the maximum rate of six percent (6%).

The following table sets forth the Town's room occupancy tax receipts for the last five fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2013	\$1,443,781
2012	1,364,218
2011	1,244,887
2010 (1)	907,474
2009	788,531

Source: Town Finance Director.

(1) Rate increased to 6% effective October 1, 2009.

## Local Options Meals Tax

On August 31, 2009, the Town adopted the local meals excise tax to be effective October 1, 2009. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the Commonwealth's Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax is expected to be approximately \$900,000 in future years.

The following table sets forth the Town's meals tax receipts since the tax was adopted:

<u>Fiscal Year</u>	<u>Receipts</u>
2013	\$ 928,255
2012	1,003,402
2011	915,797
2010	504,079

## Water and Sewer Rates and Services

Water and sewer services are provided to 100% of the Town. Currently all costs associated with water and sewer services are supported by rates paid by users of the water and sewer systems. In fiscal 2013, water and sewer revenues totaled \$26,393,558, while expenditures totaled \$25,434,367.

## Annual Audits

The Town's accounts are audited annually, most recently for fiscal year ended June 30, 2013 by the firm of Powers & Sullivan P.C. The audit for fiscal year ended June 30, 2013 is attached hereto as Appendix A.

The attached report speaks only as of its dates, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

## Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2013, June 30, 2012 and June 30, 2011, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity (General Fund) for fiscal years 2009 through 2013. Said statements have been extracted from the Town's audited financials.

**TOWN OF BROOKLINE, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013 (1)**

<b>ASSETS</b>	<b>General</b>	<b>Runkle School Renovation Fund</b>	<b>Capital Article Fund</b>	<b>Capter 90 Governmental Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 33,172,408	\$ 1,373,890	\$ 17,054,241	\$ -	\$ 22,524,742	\$ 74,125,281
Investments	-	-	-	-	5,796,293	5,796,293
Receivables, net of uncollectibles:						
Real estate and personal property taxes	2,430,118	-	-	-	-	2,430,118
Tax liens	1,188,571	-	-	-	-	1,188,571
Motor vehicle excise taxes	132,888	-	-	-	-	132,888
User fees	103,022	-	-	-	-	103,022
Department and other	2,809,463	-	-	-	68,905	2,878,368
Intergovernmental	3,859,000	-	-	2,648,547	1,221,946	7,729,493
Loans	-	-	-	-	87,419	87,419
Due from other funds	909,910	-	-	-	-	909,910
Prepaid expenses	88,889	-	-	-	3,158	92,047
<b>TOTAL ASSETS</b>	<b>\$ 44,694,269</b>	<b>\$ 1,373,890</b>	<b>\$ 17,054,241</b>	<b>\$ 2,648,547</b>	<b>\$ 29,702,463</b>	<b>\$ 95,473,410</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 1,499,273	\$ 488,550	\$ 239,660	\$ -	\$ 413,113	\$ 2,640,596
Accrued liabilities	14,813	-	33,378	-	40,593	88,784
Accrued payroll	1,991,063	-	-	-	258	1,991,321
Tax refunds payable	2,350,395	-	-	-	-	2,350,395
Liabilities due depositors	59,254	-	-	-	-	59,254
Abandoned property	126,226	-	-	-	5,997	132,223
Other liabilities	1,177,722	-	-	-	19,744	1,197,466
Deferred revenues	10,246,710	-	-	2,605,022	1,997,406	14,849,138
Due to other funds	-	-	-	184,910	-	184,910
Notes payable	-	650,000	-	-	-	650,000
<b>TOTAL LIABILITIES</b>	<b>17,465,456</b>	<b>1,138,550</b>	<b>273,038</b>	<b>2,789,932</b>	<b>2,477,111</b>	<b>24,144,087</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	1,368,059	1,368,059
Restricted	-	-	-	-	20,107,075	20,107,075
Committed	-	235,340	16,781,203	-	5,750,218	22,766,761
Assigned	1,394,980	-	-	-	-	1,394,980
Unassigned	25,833,833	-	-	(141,385)	-	25,692,448
<b>TOTAL FUND BALANCES</b>	<b>27,228,813</b>	<b>235,340</b>	<b>16,781,203</b>	<b>(141,385)</b>	<b>27,225,352</b>	<b>71,329,323</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 44,694,269</b>	<b>\$ 1,373,890</b>	<b>\$ 17,054,241</b>	<b>\$ 2,648,547</b>	<b>\$ 29,702,463</b>	<b>\$ 95,473,410</b>

(1) Extracted from the Audited financial statements of the Town.

**TOWN OF BROOKLINE, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012 (1)**

<b>ASSETS</b>	<b>General</b>	<b>Runkle School Renovation Fund</b>	<b>Capital Article Fund</b>	<b>Capter 90 Governmental Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 31,409,871	\$ 2,029,033	\$ 12,213,582	\$ -	\$ 24,556,110	\$ 70,208,596
Investments	-	-	-	-	5,348,981	5,348,981
Receivables, net of uncollectibles:						
Real estate and personal property taxes	1,742,551	-	-	-	-	1,742,551
Tax liens	1,575,065	-	-	-	-	1,575,065
Motor vehicle excise taxes	97,527	-	-	-	-	97,527
User fees	130,565	-	-	-	-	130,565
Department and other	3,219,965	-	-	-	50,847	3,270,812
Intergovernmental	4,212,436	1,311,000	-	3,094,181	2,022,219	10,639,836
Loans	-	-	-	-	111,022	111,022
Due from other funds	633,446	-	-	-	-	633,446
Prepaid expenses	212,211	-	-	-	4,668	216,879
<b>TOTAL ASSETS</b>	<b>\$ 43,233,637</b>	<b>\$ 3,340,033</b>	<b>\$ 12,213,582</b>	<b>\$ 3,094,181</b>	<b>\$ 32,093,847</b>	<b>\$ 93,975,280</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 1,902,830	\$ 2,516,122	\$ 194,717	\$ 80,014	\$ 1,451,294	\$ 6,144,977
Accrued liabilities	43,249	45,303	2,383	-	44,547	135,482
Accrued payroll	1,034,378	-	-	-	40,842	1,075,220
Tax refunds payable	2,813,606	-	-	-	-	2,813,606
Liabilities due depositors	6,179	-	-	-	-	6,179
Abandoned property	182,487	-	-	-	5,997	188,484
Other liabilities	907,280	-	-	-	33,904	941,184
Deferred revenues	10,331,952	-	-	2,813,987	2,531,293	15,677,232
Due to other funds	-	-	-	383,446	-	383,446
<b>TOTAL LIABILITIES</b>	<b>17,221,961</b>	<b>2,561,425</b>	<b>197,100</b>	<b>3,277,447</b>	<b>4,107,877</b>	<b>27,365,810</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	1,336,556	1,336,556
Restricted	-	-	-	-	23,390,376	23,390,376
Committed	-	778,608	12,016,482	-	3,259,038	16,054,128
Assigned	1,210,629	-	-	-	-	1,210,629
Unassigned	24,801,047	-	-	(183,266)	-	24,617,781
<b>TOTAL FUND BALANCES</b>	<b>26,011,676</b>	<b>778,608</b>	<b>12,016,482</b>	<b>(183,266)</b>	<b>27,985,970</b>	<b>66,609,470</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 43,233,637</b>	<b>\$ 3,340,033</b>	<b>\$ 12,213,582</b>	<b>\$ 3,094,181</b>	<b>\$ 32,093,847</b>	<b>\$ 93,975,280</b>

(1) Extracted from the Audited financial statements of the Town.



**TOWN OF BROOKLINE, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011 (1)**

<b>ASSETS</b>	<b>General</b>	<b>Capital Article Fund</b>	<b>Chapter 90 Highway Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and short term investments	\$ 27,853,934	\$ 9,979,112	\$ 9,027	\$ 25,644,044	\$ 63,486,117
Investments	-	-	-	5,361,725	5,361,725
Receivables, net of uncollectibles:					
Real estate and personal property taxes	1,812,337	-	-	-	1,812,337
Tax liens	1,401,370	-	-	-	1,401,370
Motor vehicle excise taxes	241,813	-	-	-	241,813
User fees	125,594	-	-	-	125,594
Department and other	2,773,555	-	-	2,634,744	5,408,299
Intergovernmental	6,014,046	-	2,664,564	3,305,308	11,983,918
Loans	-	-	-	135,287	135,287
Due from other funds	275,000	-	-	-	275,000
Prepaid expenses	297,233	-	-	13,267	310,500
<b>TOTAL ASSETS</b>	<b>\$ 40,794,882</b>	<b>\$ 9,979,112</b>	<b>\$ 2,673,591</b>	<b>\$ 37,094,375</b>	<b>\$ 90,541,960</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	\$ 1,302,887	\$ 129,068	\$ 7,393	\$ 1,597,359	\$ 3,036,707
Accrued liabilities	50,134	4,621	-	89,022	143,777
Accrued payroll	1,608,518	-	-	46,493	1,655,011
Tax refunds payable	2,129,000	-	-	-	2,129,000
Liabilities due depositors	9,253	-	-	-	9,253
Abandoned property	165,746	-	-	5,997	171,743
Other liabilities	539,980	-	-	33,366	573,346
Deferred revenues	11,465,316	-	2,664,564	2,766,013	16,895,893
<b>TOTAL LIABILITIES</b>	<b>17,270,834</b>	<b>133,689</b>	<b>2,671,957</b>	<b>4,538,250</b>	<b>24,614,730</b>
<b>FUND BALANCES:</b>					
Nonspendable	-	-	-	1,150,127	1,150,127
Restricted	-	-	1,634	24,227,247	24,228,881
Committed	-	9,845,423	-	7,178,751	17,024,174
Assigned	968,972	-	-	-	968,972
Unassigned	22,555,076	-	-	-	22,555,076
<b>TOTAL FUND BALANCES</b>	<b>23,524,048</b>	<b>9,845,423</b>	<b>1,634</b>	<b>32,556,125</b>	<b>65,927,230</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 40,794,882</b>	<b>\$ 9,979,112</b>	<b>\$ 2,673,591</b>	<b>\$ 37,094,375</b>	<b>\$ 90,541,960</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF BROOKLINE, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND (1)**

	Year Ended June 30,				
	2013	2012	2011	2010	2009
<b>Revenues:</b>					
Real estate and personal property taxes, net tax refunds	\$ 169,351,712	\$ 162,270,287	\$ 156,157,408	\$ 151,452,964	\$ 147,553,179
Motor vehicle and other excise taxes	5,334,089	4,996,690	5,178,153	4,694,128	5,027,901
Charges for services	4,766,177	4,790,393	4,776,101	4,829,006	5,006,364
Payments in lieu of taxes	1,174,370	1,022,790	908,270	1,029,056	989,282
Licenses and permits	3,546,094	3,421,805	3,586,851	3,183,139	3,227,512
Fines and forfeitures	4,275,535	4,333,279	4,274,494	4,280,894	4,518,301
Intergovernmental	31,488,153	28,803,554	29,019,485	49,294,869	31,343,464
Departmental and other	1,316,500	1,367,423	1,238,807	849,708	599,320
Hotel/motel tax	2,372,036	2,367,620	1,244,887	907,474	788,531
Penalties and interest on taxes	621,541	565,628	498,405	532,328	494,311
Investment income	293,090	395,767	433,933	251,538	942,808
<b>Total Revenues</b>	<b>\$ 224,539,297</b>	<b>\$ 214,335,236</b>	<b>\$ 207,316,794</b>	<b>\$ 221,305,104</b>	<b>\$ 200,490,973</b>
<b>Expenditures:</b>					
Current:					
General government	\$ 9,038,887	\$ 8,052,265	\$ 8,336,784	\$ 8,783,709	\$ 9,732,504
Public safety	34,627,812	34,375,437	33,799,665	32,797,120	34,348,558
Education	78,716,766	75,263,392	72,076,627	69,195,643	68,772,169
Public works	14,286,740	13,292,836	14,444,282	13,156,104	17,233,710
Human services	2,433,878	2,303,134	2,275,520	2,157,458	2,283,624
Leisure services	4,752,525	4,622,224	4,444,419	4,355,284	4,683,332
Pension benefits	31,922,774	30,190,262	28,600,375	26,779,555	24,397,914
Fringe benefits	29,704,926	27,116,815	26,087,430	28,688,384	24,714,243
State and county charges	6,105,553	5,654,190	5,576,032	5,559,230	5,493,891
Debt service:					
Principal	7,404,634	7,931,237	7,105,400	8,311,176	8,232,309
Interest	2,353,079	2,119,798	2,109,205	2,809,580	4,035,097
<b>Total Expenditures</b>	<b>\$ 221,347,574</b>	<b>\$ 210,921,590</b>	<b>\$ 204,855,739</b>	<b>\$ 202,593,243</b>	<b>\$ 203,927,351</b>
Excess (deficiency) of revenues over expenditures	3,191,723	3,413,646	2,461,055	18,711,861	(3,436,378)
Other Financing Sources (Uses):					
Proceeds from refunded bond escrow agent	(6,542,392)	(4,815,863)	-	(30,215,210)	-
Proceeds from refunding bonds	6,043,600	4,375,500	-	10,659,400	-
Premium from issuance of bonds	454,502	630,808	14,507	258,415	-
Premium from issuance of refunding bonds	498,792	440,363	-	501,348	-
Sale of capital assets	-	3,668	-	2,015	-
Operating transfers in	9,699,735	6,196,316	4,829,278	5,052,659	5,630,070
Operating transfers out	(12,128,823)	(7,756,810)	(7,102,000)	(225,000)	(47,282)
Total other financing sources (Uses)	(1,974,586)	(926,018)	(2,258,215)	(13,966,373)	5,582,788
Net change in fund balances	1,217,137	2,487,628	202,840	4,745,488	2,146,410
Fund Euity, beginning of year	26,011,676	23,524,048	23,321,208	13,177,327 (2)	32,246,625
Fund equity, end of year	<u>\$ 27,228,813</u>	<u>\$ 26,011,676</u>	<u>\$ 23,524,048</u>	<u>\$ 17,922,815</u>	<u>\$ 34,393,035</u>

(1) Extracted from annual audited financial statements.

(2) Restated from June 30, 2009. Prior year General Fund balance sheets included Capital Article Fund. Prior year General Fund Balances included Encumbrances and Continuing appropriations and Designated for subsequent year's expenditures associated with capital projects. Those balances are now found in the Capital Article Fund.

## Undesignated/Unassigned General Fund Balance

The following table presents the Town's undesignated and unassigned general fund balances for the last five fiscal years:

<u>FY Ending June 30</u>	<u>Undesignated General Fund Balance</u>
2013	\$ 25,833,833 (1)
2012	24,801,049 (1)
2011	22,555,076 (1)
2010	11,883,429
2009	12,604,133

Source: Audited Financial Statements.

(1) Unassigned General Fund Balance. Extracted from audited financial statements. Due to the changes in GASB fund balance reporting practices, Unassigned General Fund Balance includes Stabilization Fund Balances.

## Stabilization Fund

The Town maintains a stabilization fund that is accounted for in the Trust Funds. The Stabilization Fund plus accrued interest income may be appropriated at an annual or special town meeting for any municipal purpose. The following table presents the Town's stabilization fund balances for the last five fiscal years.

<u>FY Ending June 30,</u>	<u>Stabilization Fund Balance</u>
2013	\$ 5,846,185
2012	5,808,860
2011	5,503,842
2010	5,398,393
2009	5,356,986

## Liability / Catastrophe Fund

The Town maintains a liability/catastrophe fund that is accounted for in the Trust Funds. This reserve was established by Town Meeting in 1997 via Home Rule legislation that was eventually signed into law on April 3, 1998. The purpose of the Fund is to allow the Town to set aside reserves, pay settlements and judgments, and protect the community from the negative financial impact of catastrophic loss or legal claims. Per the Town's Reserve Fund policies, the required level for this fund is an amount equivalent to 1% of the prior year's net revenue and it is funded via Free Cash. In order to expend from it, the Board of Selectmen must first approve it by a majority vote, and then a majority of the Advisory Committee, which is a group consisting of 20-30 registered voters of the Town whose primary function is to review and make recommendations on all matters to be considered by Town Meeting, as well as the only authority that may approve transfers from the Reserve Fund, must also approve it. The following table presents the Town's liability/catastrophe fund balances for the last five fiscal years.

<u>FY Ending June 30,</u>	<u>Liability/ Catastrophe Fund Balance</u>
2013	\$ 1,843,419
2012	1,665,760
2011	1,519,359
2010	1,232,172
2009	366,863

## Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT'S investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

MMDT funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and §55 do not apply to city and town retirement systems.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the Town Meeting. Refunding bonds and notes are authorized by the Selectmen. Borrowings for some purposes require Commonwealth administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Revenue anticipation notes and temporary notes in anticipation of authorized federal and state aid generally may be issued by the Treasurer with the approval of the Selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the Massachusetts Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. This article is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this article.

### **Trend in Revenue Anticipation Note Borrowing**

The Town has not borrowed against current revenues for the last five fiscal years, and does not anticipate the need to do so in fiscal 2014.

**Direct Debt Summary (1)**  
**as of June 30, 2013**

General Obligation Bonds:

Inside the Debt Limit

Sewers & Drains	\$ 6,268,900
Schools	4,085,000
MWRA	395,890
Other	23,794,776

Total Inside the Debt Limit \$ 34,544,566

Outside the Debt Limit

Water	\$ 3,762,824
Schools (2)	30,440,500
Other	6,108,000

Total Outside the Debt Limit 40,311,324

This Issue 8,400,000

Short-Term Debt:

Bond Anticipation Notes Outstanding (3)	650,000
To be Retired with Grant Proceeds	(650,000)

Total Direct Debt \$ 83,255,890

- (1) Based on the Town's equalized valuation of \$16,264,277,000 effective January 1, 2012, its Normal General Debt Limit is \$813,213,850 and its Double General Debt Limit is \$1,626,427,700. (See "General Information on Debt Authorization and Legal Limit," above.)
- (2) Represents the balance remaining on \$43,800,000 school bonds issued April 1, 2000 (exempt from Proposition 2 ½) and refunded March 1, 2010 using a lump sum from the MSBA equal to the present value of the remaining grant payments associated with the project; and \$12,545,000 school bonds issued May 15, 2003. As of June 30, 2013, the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest, which amounts to approximately 61% of eligible project costs, is estimated at \$4,644,528.
- (3) Payable May 30, 2014.

**Debt Ratios**

	As of June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Amount (1)	\$74,855,890	\$78,545,100	\$75,955,000	\$74,382,500	\$97,975,000
Per Capita (2)	\$1,266.28	\$1,337.35	\$1,293.25	\$1,302.51	\$1,715.64
Percent of Assessed Valuation (3)	0.55%	0.53%	0.58%	0.50%	0.67%
Percent of Equalized Valuation (4)	0.46%	0.49%	0.47%	0.48%	0.63%
Per Capita as a Percent of Personal Income Per Capita (2)	1.98%	3.02%	2.92%	2.86%	3.92%

- (1) Excludes temporary loans, lease-purchase obligations, overlapping debt, unfunded pension liability, and other liabilities or contractual obligations not more than 90 days past due.
- (2) Source: U.S. Department of Commerce, Bureau of the Census
- (3) Source: Board of Assessors. Assessed valuation as of the prior January 1.
- (4) Source: Massachusetts Department of Revenue – Equalized valuation in effect for that fiscal year. (Equalized valuations are established as of January 1 of even numbered years for the next two fiscal years.)

## Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds the Town will have approximately \$6,189,863 authorized unissued debt as follows:

Putterham Golf Course Improvements	\$ 465,000
Muddy River Restoration	745,000
Sewers	1,686,155
Runkle School	660,442
Carlton Street Foot Bridge	1,245,000
Heath School	388,266
Municipal Services Center Remodeling	1,000,000
Total	<u>\$ 6,189,863</u>

## Annual Debt Service as of June 30, 2013 (1)

Fiscal Year	Outstanding Debt (1)		This Issue		Less State Aid	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest	Principal	Interest			
2014	\$ 9,412,582	\$ 2,425,899	\$ -	\$ -	\$ (556,757)	\$ 11,281,724	12.6 %
2015	8,462,582	2,224,106	725,000	297,993	(556,757)	11,152,924	23.9
2016	8,027,582	1,962,206	725,000	281,050	(556,757)	10,439,081	34.6
2017	7,532,582	1,704,106	725,000	252,050	(556,757)	9,656,981	44.7
2018	6,695,562	1,460,731	725,000	223,050	(556,757)	8,547,586	53.6
2019	5,980,000	1,236,713	725,000	194,050	(556,757)	7,579,006	61.6
2020	5,520,000	1,033,200	725,000	165,050	(434,662)	7,008,588	69.0
2021	3,730,000	832,050	725,000	136,050	(434,662)	4,988,438	74.0
2022	3,480,000	687,788	730,000	107,050	(434,662)	4,570,176	78.6
2023	2,805,000	561,088	730,000	77,850	-	4,173,938	82.4
2024	2,250,000	459,050	730,000	55,950	-	3,495,000	85.4
2025	2,245,000	389,325	225,000	34,050	-	2,893,375	88.4
2026	1,870,000	316,425	225,000	27,300	-	2,438,725	90.9
2027	1,665,000	250,350	225,000	20,550	-	2,160,900	93.1
2028	1,665,000	188,444	230,000	13,800	-	2,097,244	95.3
2029	995,000	121,981	230,000	6,900	-	1,353,881	96.6
2030	995,000	88,969	-	-	-	1,083,969	98.0
2031	995,000	52,725	-	-	-	1,047,725	99.3
2032	530,000	15,900	-	-	-	545,900	100.0
Total	<u>\$ 74,855,890</u>	<u>\$ 16,011,055</u>	<u>\$ 8,400,000</u>	<u>\$ 1,892,743</u>	<u>\$ (4,644,528)</u>	<u>\$ 96,515,160</u>	

(1) Principal totaling \$6,430,000 and interest totaling \$862,200 has been excluded from Proposition 2 ½ subject to the provisions of Chapter 44, Section 20.



## Overlapping Debt

The following are the principal entities whose indebtedness is chargeable to the Town or payable from taxation of property within the Town:

Overlapping Entity	Outstanding Debt as of 6/30/13	Brookline Estimated Share (1)	Fiscal 2014 Dollar Assessment (2)
Norfolk County (2)	\$ 12,860,000	13.00 %	\$ 766,133
Massachusetts Water Resources Authority (3)			
Water	2,116,827,000	2.95	5,906,771
Sewer	4,033,856,000	2.75	12,675,295
Massachusetts Bay Transportation Authority (4)	5,531,383,475	1.34	5,018,011

- (1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: County Treasurer's Office. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in all the remaining counties.
- (3) Source: MWRA. Outstanding debt is as of June 30, 2013. The MWRA provides wholesale drinking water service in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to \$5.8 billion for its corporate purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (4) Source: MBTA. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAXATION" above.)

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town is a participant in the following contracts:

<u>Name</u>	<u>Nature of Service</u>	<u>Contract Expires</u>	<u>Annual Cost Fiscal 2013</u>	<u>Estimated Annual Cost Fiscal 2014</u>
Whitney	Solid Waste	6/30/14	\$703,433	\$703,400
Whitney	White Goods & Metal	6/30/14	85,682	86,000
Lorusso	Yard Waste Disposal	6/30/15	118,700	118,700
Waste Management	Recycling	6/30/14	915,000	960,000
Ricoh	Copier Leases	(1)	67,750	67,750
Ricoh	Copier Leases	(1)	147,794	147,668
Riso	Copier Leases	(1)	1,026	342
Sun Trust	DPW Recycling	8/14/2014	94,534	94,534
Sun Trust	DPW Equipment	12/02/2014	185,193	185,193
Sovereign Bank	DPW Equipment	12/10/2015	83,907	83,907
Eastern Bus	Student Transport-Metco	6/30/14	270,943	292,600
Marcou/JSC Transportation Group	Student Transport-Sped	8/31/14	1,098,436	1,200,000

(1) Various; three, four or five years.

## RETIREMENT SYSTEM

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a

revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town contributes to the Brookline Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan. Substantially all employees are members of the Retirement System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

Current membership in the Town's Retirement System consists of the following:

	<u>Number of Employees</u>
Active members:	
Fully vested	499
Non-vested	773
Inactive members	1,234
Retired members	<u>853</u>
Total	<u>3,359</u>

The following table sets forth the annual contributions of the Town to the Retirement System for the last five fiscal years and an estimate for the current fiscal year:

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory (1)</u>
2014 (Budgeted)	\$17,255,688	\$130,000
2013	15,617,048	150,000
2012	14,442,334	170,000
2011	13,784,954	215,000
2010	13,028,716	230,000
2009	11,421,618	230,000

Source: Retirement Board.

(1) The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the Town's retirement system.

## Schedule of Funding Progress (000)

As indicated below, as of January 1, 2012, the date of the latest actuarial valuation, the Town's Retirement System's funded ratio was 55.9%:

Actuarial Valuation Date	Actuarial Value of Assets (000)(1)	Actuarial Accrued Liability (000)	Unfunded Actuarial Accrued Liability (000)(2)	Funded Ratio	Covered Payroll (000)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll
1/1/12	\$222,780	\$398,901	\$176,120	55.9%	\$58,829	299.0%
1/1/10	220,579	357,981	137,404	61.6	58,623	234.4
1/1/08	223,598	332,222	108,623	67.3	59,789	181.6
1/1/06	190,818	299,356	108,538	63.7	58,277	186.2
1/1/04	177,153	265,441	88,288	66.7	52,378	168.6
1/1/02	171,285	250,478	79,193	68.4	45,110	175.6
1/1/00	160,984	217,964	56,980	73.9	43,029	132.4

(1) The actuarial value of the System's assets was determined using the fair value of the assets.

(2) The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll.

## Brookline Contributory Retirement System Funding Schedule

Fiscal Year Ending	Employer Normal Cost	Amortization of 2003 ERI Liability	Amortization of Remaining Liability	Total Plan Cost	Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	Total Plan Cost: % Increase
2013	\$ 3,432,407	\$ 4,068	\$ 12,796,463	\$ 16,232,938	\$ 180,510,802	5.90 %
2014	3,591,950	4,251	13,594,480	17,190,681	199,507,339	5.90
2015	3,717,668	4,442	14,482,821	18,204,931	198,719,719	5.90
2016	3,884,963	4,642	15,389,417	19,279,022	201,613,211	5.90
2017	4,059,786	4,851	16,351,848	20,416,485	205,617,202	5.90
2018	4,242,476	5,070	17,373,512	21,621,058	204,159,038	5.90
2019	4,433,387	5,298	18,458,015	22,896,700	201,496,902	5.90
2020	4,632,889	5,536	19,609,180	24,247,605	197,470,116	5.90
2021	4,841,369	5,785	20,831,060	25,678,214	191,901,563	5.90
2022	5,059,231	6,045	22,127,952	27,193,228	184,737,318	5.90
2023	5,286,896	6,317	23,504,415	28,797,628	175,646,001	5.90
2024	5,524,806	6,602	24,965,281	30,496,689	164,394,101	5.90
2025	5,773,422	6,899	26,515,673	32,295,994	150,724,896	5.90
2026	6,033,226	7,209	28,161,022	34,201,457	134,356,351	5.90
2027	6,304,721	7,534	29,907,089	36,219,344	114,978,829	5.90
2028	6,588,433	7,873	31,759,979	38,356,285	92,252,602	5.90
2029	6,884,912	8,227	33,726,166	40,619,305	65,805,155	5.90
2030	7,194,733	8,597	35,883,223	43,086,553	35,228,257	6.07

Notes: Contributions are assumed to be paid bimonthly between July 1 and December 31.

Assumes contribution of budgeted amount for fiscal 2013, plus \$344,000.

Schedule reflects deferred investment losses.

Source: Town of Brookline Contributory Retirement System Actuarial Valuation Report, PERAC.

For additional information on the Town's Retirement System, please refer to Appendix A, Audited Financial Statements as of June 30, 2013.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2014	\$ 10,475,920
2013	9,676,948
2012	7,700,000
2011	8,331,375
2010	8,293,074

The Governmental Accounting Standards Board ("GASB") Statement Nos. 43 and 45, require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

In 2012, the Town hired Segal Group, Inc. to perform an actuarial valuation of its non-pension, post employment benefit liability. Assuming investment at 7.75% interest rate, the Town's unfunded liability is approximately \$177,706,871. The unfunded liability based upon an interest rate of 7.25% is approximately \$189,968,000. Special legislation was adopted several years ago that created the Retiree Health Trust Fund (the "RHTF"). Recently, the RHTF was amended to comply with GASB 43, allowing the Town to report its unfunded liability for accounting purposes assuming market rates of return for the assets in the RHTF. As of December 31, 2012 and December 31, 2013, the fund balance was \$16.2 million and \$21.3 million, respectively.

## COLLECTIVE BARGAINING

Employees of Massachusetts municipalities have certain organizational and representational rights which include the right to organize, to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment, and to engage in lawful concerted activities for bargaining or other mutual aid or protection. Under Massachusetts law, strikes by municipal employees are prohibited.

The Town has approximately 2,500 employees. Approximately 62% belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires (1)</u>
Police	Brookline Police Association	134	6/30/11
Firefighters	International Association of Firefighters	152	6/30/12
The Town Workers	AFSCME	233	6/30/15
Library	AFSCME	32	6/30/15
Engineers	Brookline Engineers Association	12	6/30/15
Teachers	Brookline Educators Association (MTA)	787	6/30/14
Custodians/Maintenance	Massachusetts Public Schools Custodians Association (AFSCME)	41	6/30/14
Secretaries	Brookline Educational Secretaries' Association	55	6/30/14
Cafeteria Workers	Massachusetts School Food Service Association	36	6/30/14
Bus Monitors	Brookline School Transportation Employees' Association	6	8/31/14
School Traffic Supervisors	AFSCME	30	6/30/15
Public Safety Dispatchers	Teamsters Local 25	15	6/30/12
Total		<u>1,533</u>	

(1) Expired contracts are currently in negotiations.

## **LITIGATION**

There are various suits pending in courts within the State in which the Town is a defendant. In the opinion of the Town, no litigation is pending, or to the Town's knowledge, threatened, which is likely to result; either individually or in the aggregate, in final judgments against the Town materially affecting its financial position.

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TOWN OF BROOKLINE, MASSACHUSETTS  
/s/ Stephen E. Cirillo, Finance Director/Treasurer

May 14, 2014

**TOWN OF BROOKLINE, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2013**

TOWN OF BROOKLINE, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

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100 Quannapowitt Parkway  
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Brookline, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Brookline, Massachusetts' basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brookline, Massachusetts' basic financial statements. The letter of transmittal and organizational charts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The letter of transmittal and organizational charts has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Town of Brookline, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brookline's internal control over financial reporting and compliance.



December 6, 2013

# ***Management's Discussion and Analysis***

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## ***Management's Discussion and Analysis***

As management of the Town of Brookline, Massachusetts, we offer readers of the Town of Brookline's financial statements this narrative overview and analysis of the financial activities of the Town of Brookline for the fiscal year ended June 30, 2013. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

The Governmental Accounting Standards Board (GASB) is the authoritative standards setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. The Town of Brookline has received an unqualified opinion on its financial statements since the fiscal year ended June 30, 1995.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town of Brookline's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, community and economic development, leisure services, and interest. The business-type activities include water, sewer, and golf activities.

The government-wide financial statements include not only the Town of Brookline itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Brookline is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Brookline adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains two types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, and golf activities.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for workers' compensation benefits, unemployment and municipal building insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the progress in funding its obligation to provide postemployment benefits to its employees.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown below, governmental assets exceeded liabilities by \$186.9 million at the close of fiscal year 2013.

For the governmental activities, net position of \$164.7 million reflect the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. \$25.3 million represents resources that are subject to external restrictions on expenditures. The Town has \$39.5 million of unrestricted net position without considering the recorded liability for a portion of the postemployment healthcare obligation. That liability (\$42.6) is long-term in nature, and will not be funded from the \$39.5 million of unrestricted net position at June 30, 2013 (see the discussion of Other Postemployment Benefits in the Transmittal Letter section of this report).

### Governmental Activities Net Position

At the end of the current fiscal year, the Town is able to report positive balances in two out of three categories of net position. The Town's assets exceeded liabilities by \$186.9 million at the close of fiscal year 2013.

	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
<b>Assets:</b>			
Current:			
Cash and cash equivalents.....	\$ 78,843,375	\$ 74,363,944	\$ 68,422,755
Investments.....	5,796,293	5,348,981	5,361,725
Receivables, net of allowance for uncollectibles.....	11,084,879	13,708,378	16,697,618
Other current assets.....	142,047	241,879	335,500
Noncurrent assets (excluding capital).....	4,140,000	4,084,000	4,661,000
Capital assets.....	219,440,485	212,749,758	193,261,772
<b>Total assets.....</b>	<b>319,447,079</b>	<b>310,496,940</b>	<b>288,740,370</b>
<b>Liabilities:</b>			
Current (excluding debt):			
Warrants payable.....	2,673,867	6,153,217	3,071,158
Tax refunds payable.....	2,350,395	2,813,606	2,129,000
Compensated absences.....	5,950,432	5,429,223	5,905,415
Other current liabilities.....	5,395,192	4,046,213	4,029,748
Noncurrent (excluding debt):			
Landfill closure.....	4,745,000	4,700,000	4,505,000
Compensated absences.....	2,212,754	3,697,486	3,687,093
Postemployment benefits.....	42,586,668	37,868,889	33,427,338
Other noncurrent liabilities.....	2,419,454	1,302,108	737,250
Current debt.....	7,835,688	7,404,634	7,931,238
Noncurrent debt.....	56,343,588	58,370,676	54,479,809
<b>Total liabilities.....</b>	<b>132,513,038</b>	<b>131,786,052</b>	<b>119,903,049</b>
<b>Net Position:</b>			
Net investment in capital assets.....	164,746,707	154,637,509	143,978,503
Restricted.....	25,317,041	29,389,324	30,469,132
Unrestricted.....	(3,129,707)	(5,315,945)	(5,610,314)
<b>Total net position.....</b>	<b>\$ 186,934,041</b>	<b>\$ 178,710,888</b>	<b>\$ 168,837,321</b>

The Town's governmental net position increased by \$8.2 million in fiscal year 2013. Key elements of the change are as follows:

	<b><i>FY 2013 Governmental Activities</i></b>	<b><i>FY 2012 Governmental Activities</i></b>	<b><i>FY 2011 Governmental Activities</i></b>
<b>Program revenues:</b>			
Charges for services.....	\$ 26,986,251	\$ 27,302,874	\$ 25,178,204
Operating grants and contributions.....	36,275,972	34,569,633	37,112,719
Capital grants and contributions.....	5,187,062	6,537,959	1,082,836
<b>General Revenues:</b>			
Real estate and personal property taxes.....	169,793,700	162,093,475	156,404,746
Motor vehicle and other excise taxes.....	5,369,450	4,852,403	5,227,536
Nonrestricted grants and contributions.....	5,754,925	5,096,737	5,529,816
Unrestricted investment income.....	904,896	500,491	1,380,045
Gain/(loss) on sale of capital assets.....	-	(361,939)	1,500,417
Other revenues.....	4,902,190	4,620,395	3,796,953
<b>Total revenues.....</b>	<b>255,174,446</b>	<b>245,212,028</b>	<b>237,213,272</b>
<b>Expenses:</b>			
General government.....	19,894,781	18,767,777	18,536,862
Public safety.....	53,899,282	51,708,895	48,430,670
Education.....	133,353,925	127,421,468	120,075,185
Public works.....	22,989,195	21,655,063	21,186,278
Community and economic development.....	2,090,850	1,613,147	1,667,407
Human services.....	4,351,216	4,575,041	4,253,740
Leisure services.....	10,076,357	9,655,798	8,651,369
Interest.....	2,234,430	1,900,490	2,223,231
<b>Total expenses.....</b>	<b>248,890,036</b>	<b>237,297,679</b>	<b>225,024,742</b>
<b>Transfers In(Out).....</b>	<b>1,938,743</b>	<b>1,959,218</b>	<b>1,809,342</b>
<b>Change in net position.....</b>	<b>\$ 8,223,153</b>	<b>\$ 9,873,567</b>	<b>\$ 13,997,872</b>

The increase in net position is due to several factors.

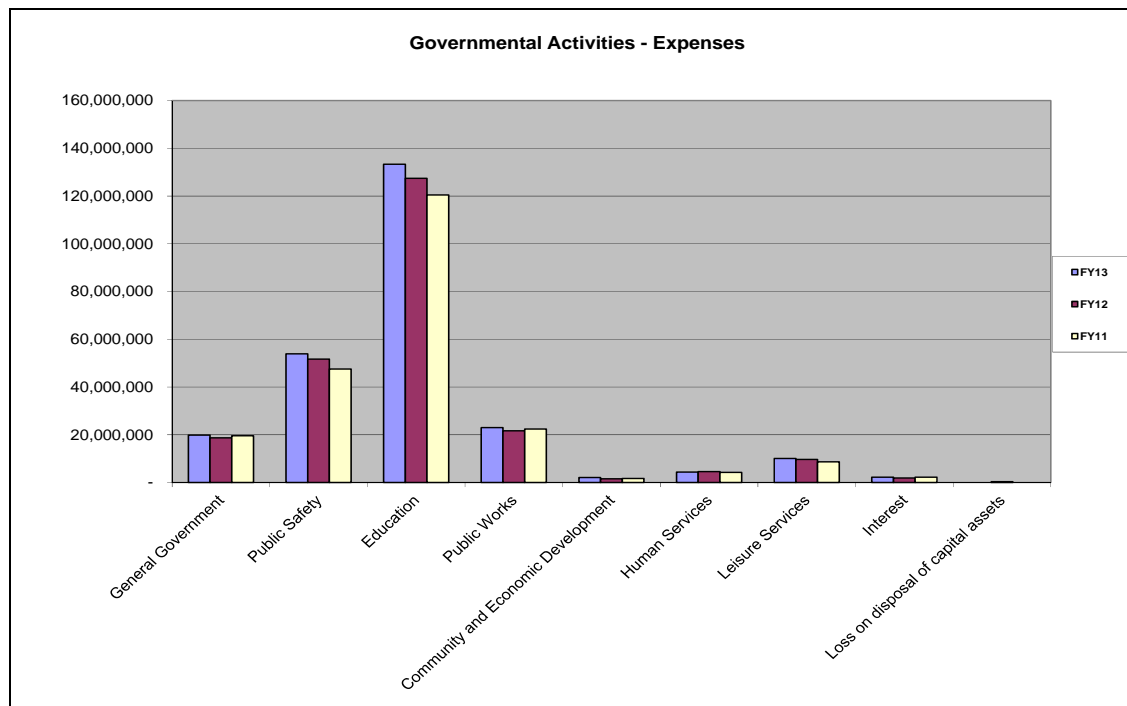
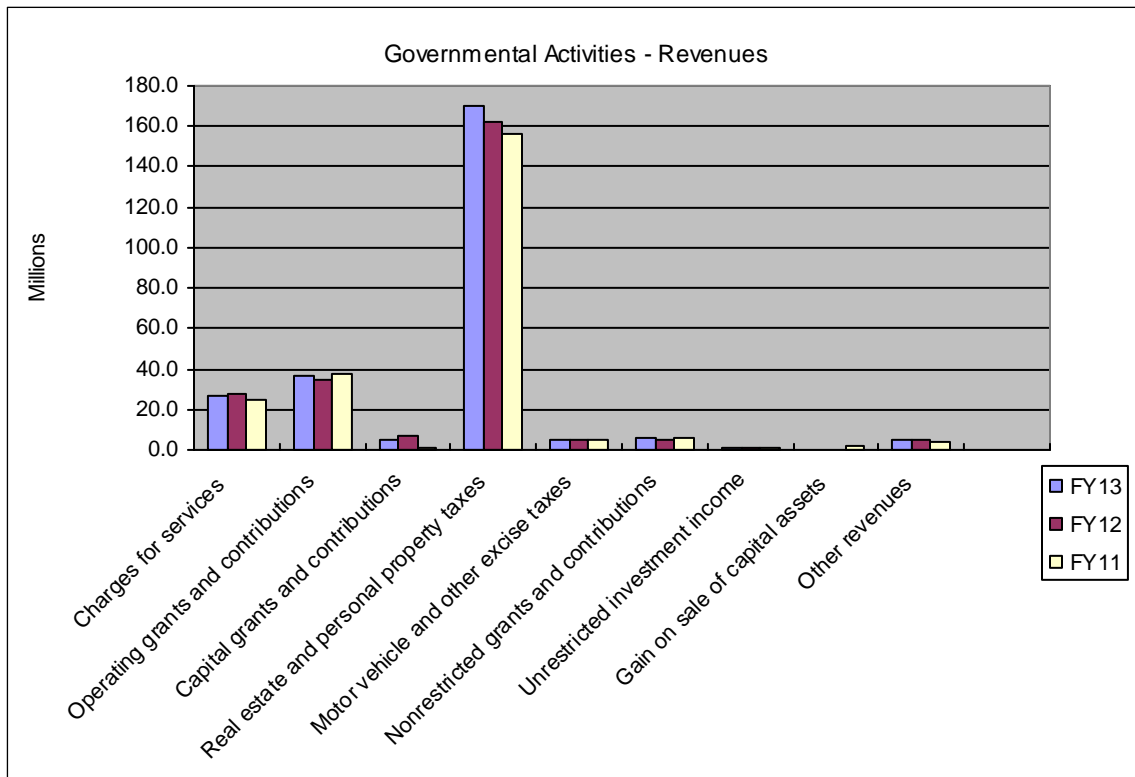
Net position increased by \$5.1 million from capital grants related to the MSBA Reimbursement of various school construction projects, the Town's ability to fund approximately \$6.9 million of capital additions from current revenues, the recognition of a \$100 thousand capital grant for the acquisition and future construction of a park at Fisher Hill, a \$391 thousand decrease in the liability for tax refunds payable and better than expected budgetary results.

These increases were offset by a \$4.8 million increase in the liability relating to GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. In fiscal 2013 the Town, based on its actuarial valuation, reported an accrual of \$44.1 million for its portion of the liability that was not paid.

The governmental expenses totaled \$248.9 million of which \$68.4 million (27.5%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants. General revenues totaled \$186.7 million, primarily coming from property taxes, motor vehicle and other excise, and non-restricted state aid.



The following tables show the functional sources and uses of Fiscal 2013 revenues and expenses.



## ***Financial Analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$71.3 million and is comprised of \$27.2 million in the general fund, \$235 thousand in the Runkle School Renovation fund, \$16.8 million in the capital articles fund, a \$141,000 deficit in the Chapter 90 Highway fund and \$27.2 million in the nonmajor funds.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$25.8 million, while total fund balance was \$27.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.7% of total general fund expenditures, while total fund balance represents 12.3% of that same amount

Fund balance of the General Fund increased by \$1.2 million during fiscal year 2013. This is primarily due to the budgetary surplus of \$792 thousand and a decrease in the liability for tax refunds payable of \$391 thousand.

The Runkle School Renovation Fund is used to account for financial resources for the renovation of the Runkle School building. At the end of the current fiscal year the fund has a fund balance of \$235 thousand.

The Capital Article Fund is used to account for various revenue financed capital projects. At the end of the current fiscal year the fund has a fund balance of \$16.8 million.

The Chapter 90 Highway fund is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks. At the end of the current fiscal year the fund has a fund balance deficit of \$141,000. This represents projects that are underway but reimbursement requests have not been submitted.

### **General Fund Budgetary Highlights**

There was approximately a \$2.1 million increase between the original and final budget. This change primarily represents appropriation increases to the education budget of \$430 thousand and for transfers out of \$1.75 million for the Devotion School Project. The Town has elected to carry forward encumbrances and appropriations totaling \$1.4 million.

**Business-type Activities.** Key elements of the business-type activities are as follows:

	<b><u>FY 2013</u></b> <b><u>Water &amp; Sewer</u></b> <b><u>Activities</u></b>	<b><u>FY 2012</u></b> <b><u>Water &amp; Sewer</u></b> <b><u>Activities</u></b>	<b><u>FY 2011</u></b> <b><u>Water &amp; Sewer</u></b> <b><u>Activities</u></b>
<b>Assets:</b>			
Current:			
Cash and short-term investments.....	\$ 8,505,547	\$ 7,866,750	\$ 5,666,909
Receivables, net of allowance for uncollectibles..	5,419,407	5,332,668	4,959,144
Other current assets.....	13,944	15,466	15,217
Capital assets.....	56,370,390	51,382,515	41,291,585
<b>Total assets.....</b>	<b>69,634,288</b>	<b>64,597,399</b>	<b>51,932,855</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	747,607	1,451,772	2,028,958
Noncurrent liabilities (excluding debt).....	1,696,558	1,601,552	1,343,243
Current debt.....	2,076,894	2,017,386	2,078,761
Noncurrent debt.....	8,350,721	9,698,405	11,600,191
<b>Total liabilities.....</b>	<b>12,871,780</b>	<b>14,769,115</b>	<b>17,051,153</b>
<b>Net Position:</b>			
Net investment in capital assets.....	52,133,125	45,356,181	30,773,912
Unrestricted.....	5,304,383	4,472,103	4,107,790
<b>Total net position.....</b>	<b>57,437,508</b>	<b>49,828,284</b>	<b>34,881,702</b>
<b>Program revenues:</b>			
Charges for services.....	26,427,958	25,284,535	24,190,848
Operating grants and contributions.....	-	-	34,620
Capital grants and contributions.....	4,630,861	12,553,698	3,937,252
<b>General Revenues:</b>			
Unrestricted investment income.....	17,387	22,748	2,789
Gain/(loss) on disposal of capital assets.....	-	(2,901)	(133,145)
<b>Total revenues.....</b>	<b>31,076,206</b>	<b>37,858,080</b>	<b>28,032,364</b>
<b>Expenses:</b>			
Water and sewer.....	21,658,276	21,770,935	22,039,432
<b>Transfers In/(Out).....</b>	<b>(1,808,706)</b>	<b>(1,820,366)</b>	<b>(1,643,181)</b>
<b>Change in net position.....</b>	<b>\$ 7,609,224</b>	<b>14,266,779</b>	<b>4,349,751</b>

The water and sewer enterprise net position increased by \$7.6 million during the current fiscal year. This was primarily attributable to the receipt of a capital grant of \$4.6 million from the Massachusetts Water Resource Authority, the fact that principle payments on long-term bonds exceeded depreciation expense by \$674,000 and a slight increase in user rate charges.

	<b><i>FY 2013 Golf Course Activities</i></b>	<b><i>FY 2012 Golf Course Activities</i></b>	<b><i>FY 2011 Golf Course Activities</i></b>
<b>Assets:</b>			
Current:			
Cash and short-term investments.....	\$ 834,065	\$ 530,732	\$ 508,608
Other current assets.....	7,340	73,651	7,192
Capital assets.....	2,272,904	2,165,515	1,999,332
<b>Total assets.....</b>	<b>2,439,309</b>	<b>2,769,898</b>	<b>2,515,132</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	118,779	171,532	90,274
Noncurrent liabilities (excluding debt).....	721,612	273,734	300,287
Current debt.....	150,000	155,000	145,000
Noncurrent debt.....	749,000	899,000	935,000
<b>Total liabilities.....</b>	<b>1,739,391</b>	<b>1,499,266</b>	<b>1,470,561</b>
<b>Net Position:</b>			
Net investment in capital assets.....	1,447,414	1,390,667	1,266,223
Unrestricted.....	(72,496)	(120,035)	(221,652)
<b>Total net position.....</b>	<b>1,374,918</b>	<b>1,270,632</b>	<b>1,044,571</b>
<b>Program revenues:</b>			
Charges for services.....	1,221,176	1,190,422	1,122,854
<b>General Revenues:</b>			
Unrestricted investment income.....	3,992	8,522	516
Gain/loss on disposal of capital assets.....	-	-	(107,742)
<b>Total revenues.....</b>	<b>1,225,168</b>	<b>1,198,944</b>	<b>1,015,628</b>
<b>Expenses:</b>			
Golf.....	990,845	834,031	896,473
<b>Total expenses.....</b>	<b>990,845</b>	<b>834,031</b>	<b>896,473</b>
<b>Transfers In/(Out).....</b>	<b>(130,037)</b>	<b>(138,852)</b>	<b>(166,161)</b>
<b>Change in net position.....</b>	<b>\$ 104,286</b>	<b>\$ 226,061</b>	<b>\$ (47,006)</b>

The golf enterprise net position increased by \$104 thousand during the current fiscal year. The increase matched the primary objective of the fund where rates are designed to cover the cost of operations.

### ***Capital Planning and Budgeting***

Capital planning and budgeting is a critical undertaking for any government and is central to the delivery of essential services and the quality of life for residents. In fact, without a sound plan for long-term investment in infrastructure and equipment, the ability of local government to accomplish its goals is greatly hampered. In 1994, as part of the override discussion that year, the Board of Selectmen implemented a Financial Improvement Program. A key area addressed in the Program was capital planning and, since then, the Town has made a significant commitment to its Capital Improvement Program (CIP) to address the backlog of capital needs created by the under-investment in infrastructure during the late-1970's and the 1980's. Over the past decade (FY 2004 – FY 2013), the Town has authorized expenditures of more than \$171 million, for an average of \$17.1 million per year. Although there continues to be more to do in the areas of street and sidewalk repairs, parks/open space improvements, and school and town facilities upgrades, the commitment to capital improvements is showing positive results.

Each year's CIP takes into account a projected six-year view. The FY 2013 – FY 2018 CIP continued the Town's aggressive approach toward maintaining and improving the Town's physical assets. Developed within the parameters of the Board of Selectmen's CIP Policies, the CIP incorporated a number of major projects along with a financing plan that includes outside funding sources and grant opportunities. It also continued to fund school projects related to the enrollment surge of the past few years.

In addition to the 6% financing called for in the CIP Policy, Free Cash and State/Federal grants are other key components of the overall financing strategy of the CIP. The Town's Free Cash Policy dedicates this revenue source to the CIP after funding various strategic reserves / protecting fund balance levels so that total CIP funding is equal to 7.5% of the prior year's net revenue. This important funding source allows for the expansion of the pay-as-you-go component of the CIP. Without Free Cash, the Town would be unable to fund many of the projects being recommended. The Town's certified Free Cash for the fiscal year ending June 30, 2011 was \$7.1 million. After funding strategic reserves to the levels called for in the Town's Reserve policies, and after leaving approximately \$1.75 million unappropriated to address an unreserved fund balance issue, \$3.9 million of additional pay-as-you-go capacity was made available to the CIP for FY 2013. For the out-years of the CIP, \$3.75 million is estimated for Free Cash, which yields approximately \$3 million per year for the CIP.

State/Federal grants total \$38.9 million over the six-year period. Of this amount, \$30 million represents the potential State share of the Devotion School Renovation project. The CIP assumed 40% funding by the Massachusetts School Building Authority (MSBA) for the Devotion School project; the Town must continue to work with the MSBA to see if funding will be awarded. CDBG funds add \$2.25 million over the six-year CIP, a level of funding that reflects the Town's plans to utilize the CDBG Section 108 Loan Program. This program allows the Town to take a loan for the Village Square Project and pay it back with future CDBG funds.

The "Other" funds category totals \$4.1 million, the largest piece being the \$3.25 million from the sale of the Town-owned Fisher Hill Reservoir that will be used to fund the construction of an active and passive recreation site on the State-owned land across the street.

Another key CIP financing policy is that the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund cover 100% of their debt service. When additional capital work to the water and sewer infrastructure or to the golf course is requested, the impact debt service has on those enterprise funds is taken into consideration. Since they are both 100% cost recovery funds, any growth in debt service may well necessitate increases in fees. Therefore, the decision to authorize additional debt is made carefully.

It was a challenge to develop a balanced CIP that continues to reflect the various priorities of the Town while simultaneously addressing the overcrowding issue in the elementary schools. The overcrowding issue continues to be the most urgent CIP need, consuming more of the CIP and displacing / deferring other projects. The facts are simple, yet daunting: what were recently Kindergarten classes of approximately 400 – 425 students are now classes of 550 – 600. As those classes move forward through the system, there will continue to be annual classroom space deficiencies. This not only results in immediate classroom space needs in the elementary schools, it also means that the High School will begin a space crisis in 5-6 years. Obviously, the school district cannot turn away students who are legally entitled to an education in the Brookline system; therefore, a coherent and comprehensive plan to produce additional classroom space is imperative. The FY 2013 – FY 2018 CIP included the following items that address the space needs issue:

- \$1.75 million for Classroom Capacity for creating additional classroom spaces within existing school facilities. The proposed \$1.75 million continued this program and is projected to fund seven new classrooms in each SY12-13 and SY13-14.
- The Devotion School project remained at \$76.9 million, with funding for feasibility / schematic design (\$1.9 million) in FY14 and funding for construction (\$75 million) in FY15. A key component of the funding

plan is MSBA participation, at an estimated rate of 40%. A 25-year term for the construction bond is anticipated, a term this Town has not used before. However, if the Town is to undertake this project without a Debt Exclusion Override while at the same time committing to other important capital projects, a 25-year amortization period is required. Without MSBA participation, this project will need a Debt Exclusion Override. Another critical factor of the Devotion project is it must increase classroom space. Without it, the district-wide overcrowding issue remains and, as a result, the MSBA will not participate.

- A new \$50,000 item was included in FY13 for a High School Space Needs Study. As previously noted, enrollment pressure will begin hitting the High School around SY16-17 / SY17-18. Planning must begin immediately for this component of the overcrowding issue. The funding would be used to review all possible options for addressing the capacity needs of BHS.

All of this is being addressed while at the same time continuing to address on-going infrastructure improvements including streets, sidewalks, parks/playgrounds, and water/sewer systems. The core of any CIP should be the repair of and improvement to a community's infrastructure, and that is the case with this CIP. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these economic and budgetary times. Fortunately, Brookline's CIP policies (dedicated CIP funding) and taxpayer support (debt exclusions for Schools and an Override that included infrastructure needs) have allowed the community to fund these needs far more adequately than would otherwise be the case.

The following schedule reflects the CIP expenditure activity for fiscal 2013, together with outstanding encumbrances and available budget balances, for both Debt and Revenue Funded Capital Projects.

	<u>All Capital Improvement Projects</u>			<u>Revenue Financed Projects</u>			<u>Debt Financed Projects</u>		
	Expended in <u>Fiscal 2013</u>	<u>Encumbrances</u>	<u>Available Budget</u>	Expended in <u>Fiscal 2013</u>	<u>Encumbrances</u>	<u>Available Budget</u>	Expended in <u>Fiscal 2013</u>	<u>Encumbrances</u>	<u>Available Budget</u>
General Government Capital Projects									
General Government Projects	66,270	-	-	66,270	-	-	-	-	-
Planning Projects	34,197	12,531	66,530	34,197	12,531	66,530	-	-	-
Technology Projects	425,440	33,350	92,256	425,440	33,350	92,256	-	-	-
Building & Public Safety Projects									
General Town Building Projects	5,122,772	1,027,426	2,089,341	1,186,519	436,411	826,279	3,936,252	591,015	1,263,062
Public Safety Building & Equipment Projects	92,844	4,563	899,910	92,844	4,563	899,910	-	-	-
Library Building Projects	46,339	-	-	46,339	-	-	-	-	-
School Building Projects	9,401,803	1,472,391	5,652,507	1,523,727	1,255,421	3,245,575	7,878,076	216,970	2,406,932
DPW Projects									
Landfill Related Projects	518,551	104,819	356,572	516,076	104,819	314,733	2,475	-	41,839
Highway -Traffic Related Projects	2,441,046	1,477,666	3,267,143	2,419,527	1,344,834	2,021,494	21,519	132,832	1,245,649
Park Related Projects	1,464,107	719,651	9,021,737	1,450,501	522,972	5,536,715	13,606	196,679	3,485,023
Recreation-Library Projects									
Library Projects	7,810	-	62,912	7,810	-	62,912	-	-	-
DPW Enterprise Related Projects	933,036	1,115,255	4,061,812	19,922	-	3,210	913,114	1,115,255	4,058,602
Golf Enterprise Projects	232,731	99,074	1,262,347	27,089	13,600	459,311	205,642	85,474	803,036
GRAND TOTAL	20,786,946	6,066,726	26,833,067	7,816,262	3,728,501	13,528,924	12,970,684	2,338,225	13,304,143

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Brookline's investment in capital assets for its governmental and business type activities as of June 30, 2013 amount to \$278.1 million (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, roads, sidewalks, bridges and water and sewer lines.

The net increase in the Town of Brookline's investment in capital assets for the current year was \$11.8 million, including a \$6.7 million increase for governmental activities and a \$5.1 million increase for business-type activities.

As noted in the table above the Town's major capital projects relate to school renovations and various infrastructure projects.

Major Capital asset events during the current fiscal year included the following:

- ❖ Approximately \$8.1 million was spent on school construction and renovations.
- ❖ Approximately \$9.4 million was spent on roads, sidewalks, wastewater, and other related infrastructure.
- ❖ Approximately \$2.2 million was spent on building renovations and improvements.
- ❖ Approximately \$1.4 million was spent on machinery and equipment.

Please see Note 4 for further capital asset information.

Town of Brookline's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business –Type Activities		Total		
	2013	2012	2013	2012	2013	2012	
Land	874,873	874,873	-	-	874,873	874,873	
Construction in Progress	35,867,265	27,178,194	-	-	35,867,265	27,178,194	
Land Improvements	12,528,788	12,036,528	1,250,569	1,086,533	13,779,357	13,123,061	
Buildings	139,322,191	142,801,684	2,487,472	2,581,822	141,809,663	145,383,506	
Machinery and Equipment	9,899,141	10,830,938	845,068	672,596	10,744,209	11,503,534	
Infrastructure	20,948,227	19,027,541	54,060,185	49,207,079	75,008,412	68,234,620	
<b>Total</b>	<b>219,440,485</b>	<b>212,749,758</b>	<b>58,643,294</b>	<b>53,548,030</b>	<b>278,083,779</b>	<b>266,297,788</b>	

**Long-term Debt.** At the end of the current fiscal year, the Town of Brookline had total bonded debt outstanding of \$74,855,891, of which \$63,529,276 is governmental debt and \$11,326,615 is business-type debt. This entire amount is classified as outstanding long-term debt. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources. During fiscal year 2013, the Town retired long-term debt of \$9,577,020 and refunded \$6,715,000.

On May 30 of the current fiscal year, the Town issued \$12,375,000 of general obligation bonds which was made up of a \$6,770,000 advance refunding and \$5,605,000 of new debt. Please refer to footnote 7 for more information.

Please see notes 6 and 7 for further debt information.

In fiscal 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. The Town has been approved for projects at the Runkle and Heath Schools under this program. Through the end of fiscal year 2013, the Town has recorded capital grant revenue totaling approximately \$10,107,000 and \$2,811,000 respectfully, from the MSBA which is equal to 42% and 40% of approved construction costs incurred to date. The Town received \$4,574,000 of reimbursements related to the Runkle School and \$1,749,000 related to the Heath School in fiscal 2013.

### Cash and Investments

At June 30, 2013, the Town had recorded a Cash and Investments balance of \$110,638,738. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash of \$260,296; Investment accounts maintained by the Trustees of the Brookline Public Library of \$4,421,809; and Cash and Investment accounts maintained by the Brookline Retirement System of \$1,943,864 and \$220,620,126, respectively. This resulted in total Cash and Investments of \$337,884,833 as reflected in the basic financial statements.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Brookline's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller at Brookline Town Hall, 333 Washington Street, Brookline, Massachusetts 02146.

You are also invited to visit our website at <http://www.brooklinema.gov> .



# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 78,843,375	\$ 9,339,612	\$ 88,182,987
Investments.....	5,796,293	-	5,796,293
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,430,118	-	2,430,118
Tax liens.....	1,188,571	-	1,188,571
Motor vehicle excise taxes.....	132,888	-	132,888
User fees.....	103,022	-	103,022
Water and sewer fees.....	-	5,419,407	5,419,407
Departmental and other.....	2,878,368	-	2,878,368
Intergovernmental.....	4,264,493	-	4,264,493
Loans.....	87,419	-	87,419
Internal balances.....	50,000	(50,000)	-
Prepaid expenses.....	92,047	21,284	113,331
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	3,465,000	-	3,465,000
Internal balances.....	675,000	(675,000)	-
Capital assets, nondepreciable.....	36,742,138	-	36,742,138
Capital assets, net of accumulated depreciation.....	182,698,347	58,643,294	241,341,641
<b>TOTAL ASSETS.....</b>	<b>319,447,079</b>	<b>72,698,597</b>	<b>392,145,676</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,673,867	298,937	2,972,804
Accrued liabilities.....	109,996	93,451	203,447
Accrued payroll.....	1,991,321	-	1,991,321
Tax refunds payable.....	2,350,395	-	2,350,395
Accrued interest.....	499,321	93,815	593,136
Abandoned property.....	132,223	-	132,223
Other liabilities.....	1,197,466	8,973	1,206,439
Deferred revenue.....	936,005	-	936,005
Liabilities due depositors.....	59,254	-	59,254
Landfill closure.....	75,000	-	75,000
Compensated absences.....	5,950,432	316,050	6,266,482
Workers' compensation.....	270,750	-	270,750
Unamortized premium on bonds payable.....	123,856	5,160	129,016
Notes payable.....	650,000	-	650,000
Bonds payable.....	7,185,688	2,226,894	9,412,582
<b>NONCURRENT:</b>			
Landfill closure.....	4,745,000	-	4,745,000
Compensated absences.....	2,212,754	93,740	2,306,494
Workers' compensation.....	1,534,250	-	1,534,250
Postemployment benefits.....	42,586,668	1,557,949	44,144,617
Unamortized premium on bonds payable.....	885,204	91,481	976,685
Bonds payable.....	56,343,588	9,099,721	65,443,309
<b>TOTAL LIABILITIES.....</b>	<b>132,513,038</b>	<b>13,886,171</b>	<b>146,399,209</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt.....	164,746,707	53,580,539	218,327,246
Restricted for:			
Loans.....	87,419	-	87,419
Permanent funds:			
Expendable.....	5,418,102	-	5,418,102
Nonexpendable.....	1,368,059	-	1,368,059
Other purposes.....	18,443,461	-	18,443,461
Unrestricted.....	(3,129,707)	5,231,887	2,102,180
<b>TOTAL NET POSITION.....</b>	<b>\$ 186,934,041</b>	<b>\$ 58,812,426</b>	<b>\$ 245,746,467</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
General government.....	\$ 19,894,781	\$ 5,518,833	\$ 653,432	\$ -	\$ (13,722,516)	
Public safety.....	53,899,282	7,723,355	446,666	-	(45,729,261)	
Education.....	133,353,925	6,892,805	32,098,899	5,087,062	(89,275,159)	
Public works.....	22,989,195	3,616,328	1,022,386	-	(18,350,481)	
Community and economic development.....	2,090,850	-	1,235,740	-	(855,110)	
Human services.....	4,351,216	322,257	460,066	-	(3,568,893)	
Leisure services.....	10,076,357	2,912,673	153,262	100,000	(6,910,422)	
Interest.....	2,234,430	-	205,521	-	(2,028,909)	
Total Governmental Activities.....	248,890,036	26,986,251	36,275,972	5,187,062	(180,440,751)	
<i>Business-Type Activities:</i>						
Golf.....	990,845	1,221,176	-	-	230,331	
Water and sewer.....	21,658,276	26,427,958	-	4,630,861	9,400,543	
Total Business-Type Activities.....	22,649,121	27,649,134	-	4,630,861	9,630,874	
Total Primary Government.....	\$ 271,539,157	\$ 54,635,385	\$ 36,275,972	\$ 9,817,923	\$ (170,809,877)	

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(180,440,751)</b>	\$ <b>9,630,874</b>	\$ <b>(170,809,877)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	169,793,700	-	169,793,700
Motor vehicle and other excise taxes.....	5,369,450	-	5,369,450
Hotel/motel tax.....	1,443,781	-	1,443,781
Local meals tax.....	928,255	-	928,255
Penalties and interest on taxes.....	621,541	-	621,541
Payments in lieu of taxes.....	1,174,370	-	1,174,370
Grants and contributions not restricted to specific programs.....	5,754,925	-	5,754,925
Unrestricted investment income.....	904,896	21,379	926,275
Miscellaneous.....	734,243	-	734,243
<i>Transfers, net</i> .....	<u>1,938,743</u>	<u>(1,938,743)</u>	<u>-</u>
Total general revenues and transfers.....	<u>188,663,904</u>	<u>(1,917,364)</u>	<u>186,746,540</u>
Change in net position.....	8,223,153	7,713,510	15,936,663
<i>Net Position:</i>			
Beginning of year.....	<u>178,710,888</u>	<u>51,098,916</u>	<u>229,809,804</u>
End of year.....	<u>\$ 186,934,041</u>	<u>\$ 58,812,426</u>	<u>\$ 245,746,467</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2013

	General	Runkle School Renovation Fund	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 33,172,408	\$ 1,373,890	\$ 17,054,241	\$ -	\$ 22,524,742	\$ 74,125,281
Investments.....	-	-	-	-	5,796,293	5,796,293
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	2,430,118	-	-	-	-	2,430,118
Tax liens.....	1,188,571	-	-	-	-	1,188,571
Motor vehicle excise taxes.....	132,888	-	-	-	-	132,888
User fees.....	103,022	-	-	-	-	103,022
Departmental and other.....	2,809,463	-	-	-	68,905	2,878,368
Intergovernmental.....	3,859,000	-	-	2,648,547	1,221,946	7,729,493
Loans.....	-	-	-	-	87,419	87,419
Due from other funds.....	909,910	-	-	-	-	909,910
Prepaid expenses.....	88,889	-	-	-	3,158	92,047
<b>TOTAL ASSETS.....</b>	<b>\$ 44,694,269</b>	<b>\$ 1,373,890</b>	<b>\$ 17,054,241</b>	<b>\$ 2,648,547</b>	<b>\$ 29,702,463</b>	<b>\$ 95,473,410</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ 1,499,273	\$ 488,550	\$ 239,660	\$ -	\$ 413,113	\$ 2,640,596
Accrued liabilities.....	14,813	-	33,378	-	40,593	88,784
Accrued payroll.....	1,991,063	-	-	-	258	1,991,321
Tax refunds payable.....	2,350,395	-	-	-	-	2,350,395
Liabilities due depositors.....	59,254	-	-	-	-	59,254
Abandoned property.....	126,226	-	-	-	5,997	132,223
Other liabilities.....	1,177,722	-	-	-	19,744	1,197,466
Deferred revenues.....	10,246,710	-	-	2,605,022	1,997,406	14,849,138
Due to other funds.....	-	-	-	184,910	-	184,910
Notes payable.....	-	650,000	-	-	-	650,000
<b>TOTAL LIABILITIES.....</b>	<b>17,465,456</b>	<b>1,138,550</b>	<b>273,038</b>	<b>2,789,932</b>	<b>2,477,111</b>	<b>24,144,087</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	-	-	1,368,059	1,368,059
Restricted.....	-	-	-	-	20,107,075	20,107,075
Committed.....	-	235,340	16,781,203	-	5,750,218	22,766,761
Assigned.....	1,394,980	-	-	-	-	1,394,980
Unassigned.....	25,833,833	-	-	(141,385)	-	25,692,448
<b>TOTAL FUND BALANCES.....</b>	<b>27,228,813</b>	<b>235,340</b>	<b>16,781,203</b>	<b>(141,385)</b>	<b>27,225,352</b>	<b>71,329,323</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 44,694,269</b>	<b>\$ 1,373,890</b>	<b>\$ 17,054,241</b>	<b>\$ 2,648,547</b>	<b>\$ 29,702,463</b>	<b>\$ 95,473,410</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

FISCAL YEAR ENDED JUNE 30, 2013

Total governmental fund balances.....	\$ 71,329,323
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	219,440,485
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	13,913,133
Internal service funds are used by management to account for liability, health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	2,858,611
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(499,321)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(63,529,276)
Landfill closure.....	(4,820,000)
Unamortized premium on bonds payable.....	(1,009,060)
Postemployment benefits.....	(42,586,668)
Compensated absences.....	(8,163,186)
Net effect of reporting long-term liabilities.....	<u>(120,108,190)</u>
Net position of governmental activities.....	<u>\$ 186,934,041</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2013

	General	Runkle School Renovation	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 169,351,712	\$ -	\$ -	\$ -	\$ -	\$ 169,351,712
Motor vehicle and other excise taxes.....	5,334,089	-	-	-	-	5,334,089
Hotel/motel tax.....	1,443,781	-	-	-	-	1,443,781
Local meals tax.....	928,255	-	-	-	-	928,255
Charges for services.....	4,766,177	-	-	-	-	4,766,177
Penalties and interest on taxes.....	621,541	-	-	-	-	621,541
Payments in lieu of taxes.....	1,174,370	-	-	-	-	1,174,370
Licenses and permits.....	3,546,094	-	-	-	-	3,546,094
Fines and forfeitures.....	4,275,535	-	-	-	-	4,275,535
Intergovernmental.....	31,488,153	3,262,641	-	1,157,903	11,468,872	47,377,569
Departmental and other.....	1,316,500	-	-	-	14,167,788	15,484,288
Contributions.....	-	75,383	-	-	1,044,211	1,119,594
Investment income.....	293,090	-	-	-	603,913	897,003
<b>TOTAL REVENUES.....</b>	<b>224,539,297</b>	<b>3,338,024</b>	<b>-</b>	<b>1,157,903</b>	<b>27,284,784</b>	<b>256,320,008</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	9,038,887	-	1,776,236	-	1,034,371	11,849,494
Public safety.....	34,627,812	-	189,688	-	657,724	35,475,224
Education.....	78,716,766	5,381,292	1,200,400	-	17,081,030	102,379,488
Public works.....	14,286,740	-	3,654,563	1,116,022	215,442	19,272,767
Community and economic development.....	-	-	-	-	2,090,850	2,090,850
Human services.....	2,433,878	-	4,948	-	664,778	3,103,604
Leisure services.....	4,752,525	-	34,231	-	2,649,251	7,436,007
Pension benefits.....	31,922,774	-	-	-	-	31,922,774
Fringe benefits.....	29,704,926	-	-	-	-	29,704,926
State and county charges.....	6,105,553	-	-	-	-	6,105,553
Debt service:						
Principal.....	7,404,634	-	-	-	-	7,404,634
Interest.....	2,353,079	-	-	-	-	2,353,079
<b>TOTAL EXPENDITURES.....</b>	<b>221,347,574</b>	<b>5,381,292</b>	<b>6,860,066</b>	<b>1,116,022</b>	<b>24,393,446</b>	<b>259,098,400</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	3,191,723	(2,043,268)	(6,860,066)	41,881	2,891,338	(2,778,392)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bonds and notes.....	-	1,500,000	-	-	3,605,000	5,105,000
Proceeds from refunding bonds.....	6,043,600	-	-	-	-	6,043,600
Premium from issuance of bonds, net of expenditures.....	454,502	-	-	-	-	454,502
Premium from issuance of refunding bonds.....	498,792	-	-	-	-	498,792
Payments to refunded bond escrow agent.....	(6,542,392)	-	-	-	-	(6,542,392)
Transfers in.....	9,699,735	-	11,812,460	-	316,363	21,828,558
Transfers out.....	(12,128,823)	-	(187,673)	-	(7,573,319)	(19,889,815)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,974,586)</b>	<b>1,500,000</b>	<b>11,624,787</b>	<b>-</b>	<b>(3,651,956)</b>	<b>7,498,245</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,217,137</b>	<b>(543,268)</b>	<b>4,764,721</b>	<b>41,881</b>	<b>(760,618)</b>	<b>4,719,853</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>26,011,676</b>	<b>778,608</b>	<b>12,016,482</b>	<b>(183,266)</b>	<b>27,985,970</b>	<b>66,609,470</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 27,228,813</b>	<b>\$ 235,340</b>	<b>\$ 16,781,203</b>	<b>\$ (141,385)</b>	<b>\$ 27,225,352</b>	<b>\$ 71,329,323</b>

See notes to basic financial statements.



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds.....	\$ 4,719,853
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	16,647,058
Depreciation expense.....	<u>(9,956,331)</u>
Net effect of reporting capital assets.....	6,690,727
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(1,153,455)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Proceeds from bonds and notes.....	(5,105,000)
Proceeds from refunding bonds .....	(6,043,600)
Amortization of bond premiums.....	(378,252)
Premium from issuance of refunding bonds.....	(498,792)
Payments to refunding bond escrow agent.....	6,542,392
Deferred charges on refunding.....	(53,600)
Debt service principal payments.....	<u>7,404,634</u>
Net effect of reporting long-term debt.....	1,867,782
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	963,523
Net change in accrued interest on long-term debt.....	95,999
Net change in postemployment benefit accrual.....	(4,717,779)
Net change in landfill accrual.....	<u>50,000</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....	(3,608,257)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>(293,497)</u>
Change in net position of governmental activities.....	\$ <u>8,223,153</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 8,505,547	\$ 834,065	\$ 9,339,612	\$ 4,718,094
Receivables, net of allowance for uncollectibles:				
Water and sewer fees.....	5,419,407	-	5,419,407	-
Prepaid expenses.....	13,944	7,340	21,284	-
Total current assets.....	13,938,898	841,405	14,780,303	4,718,094
<b>NONCURRENT:</b>				
Capital assets, net of accumulated depreciation.....	56,370,390	2,272,904	58,643,294	-
Total noncurrent assets.....	56,370,390	2,272,904	58,643,294	-
<b>TOTAL ASSETS.....</b>	<b>70,309,288</b>	<b>3,114,309</b>	<b>73,423,597</b>	<b>4,718,094</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	282,128	16,809	298,937	33,271
Accrued liabilities.....	92,762	689	93,451	21,212
Accrued interest.....	86,244	7,571	93,815	-
Due to other funds.....	-	50,000	50,000	-
Other liabilities.....	-	8,973	8,973	-
Compensated absences.....	281,313	34,737	316,050	-
Workers' compensation.....	-	-	-	270,750
Unamortized premium on bonds payable.....	5,160	-	5,160	-
Bonds payable.....	2,076,894	150,000	2,226,894	-
Total current liabilities.....	2,824,501	268,779	3,093,280	325,233
<b>NONCURRENT:</b>				
Due to other funds.....	-	675,000	675,000	-
Compensated absences.....	88,136	5,604	93,740	-
Workers' compensation.....	-	-	-	1,534,250
Postemployment benefits.....	1,516,941	41,008	1,557,949	-
Unamortized premium on bonds payable.....	91,481	-	91,481	-
Bonds payable.....	8,350,721	749,000	9,099,721	-
Total noncurrent liabilities.....	10,047,279	1,470,612	11,517,891	1,534,250
<b>TOTAL LIABILITIES.....</b>	<b>12,871,780</b>	<b>1,739,391</b>	<b>14,611,171</b>	<b>1,859,483</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt.....	52,133,125	1,447,414	53,580,539	-
Unrestricted.....	5,304,383	(72,496)	5,231,887	2,858,611
<b>TOTAL NET POSITION.....</b>	<b>\$ 57,437,508</b>	<b>\$ 1,374,918</b>	<b>\$ 58,812,426</b>	<b>\$ 2,858,611</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
<b>OPERATING REVENUES:</b>				
Charges for services .....	\$ 26,427,958	\$ 1,221,176	\$ 27,649,134	\$ -
Employer contributions .....	-	-	-	2,450,263
<b>TOTAL OPERATING REVENUES .....</b>	<b>26,427,958</b>	<b>1,221,176</b>	<b>27,649,134</b>	<b>2,450,263</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	19,988,402	830,444	20,818,846	-
Depreciation.....	1,343,313	125,342	1,468,655	-
Building and liability insurance claims.....	-	-	-	20,000
Employee benefits .....	-	-	-	2,731,653
<b>TOTAL OPERATING EXPENSES .....</b>	<b>21,331,715</b>	<b>955,786</b>	<b>22,287,501</b>	<b>2,751,653</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>5,096,243</b>	<b>265,390</b>	<b>5,361,633</b>	<b>(301,390)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	17,387	3,992	21,379	7,893
Interest expense.....	(326,561)	(35,059)	(361,620)	-
Intergovernmental.....	4,630,861	-	4,630,861	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>4,321,687</b>	<b>(31,067)</b>	<b>4,290,620</b>	<b>7,893</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>9,417,930</b>	<b>234,323</b>	<b>9,652,253</b>	<b>(293,497)</b>
<b>TRANSFERS:</b>				
Transfers out.....	(1,808,706)	(130,037)	(1,938,743)	-
<b>CHANGE IN NET POSITION.....</b>	<b>7,609,224</b>	<b>104,286</b>	<b>7,713,510</b>	<b>(293,497)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>49,828,284</b>	<b>1,270,632</b>	<b>51,098,916</b>	<b>3,152,108</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 57,437,508</b>	<b>\$ 1,374,918</b>	<b>\$ 58,812,426</b>	<b>\$ 2,858,611</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 26,341,219	\$ 1,221,176	\$ 27,562,395	\$ -
Receipts from interfund services provided.....	-	-	-	2,450,263
Payments to vendors.....	(17,416,062)	(512,501)	(17,928,563)	(1,895,410)
Payments to employees.....	(2,353,965)	(355,067)	(2,709,032)	-
NET CASH FROM OPERATING ACTIVITIES.....	6,571,192	353,608	6,924,800	554,853
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers out.....	(1,808,706)	(130,037)	(1,938,743)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(1,808,706)	(130,037)	(1,938,743)	-
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Proceeds from the issuance of bonds and notes.....	727,810	-	727,810	-
Premium from the issuance of bonds and notes.....	52,340	-	52,340	-
Premium from the issuance of refunding bonds and notes.....	59,951	-	59,951	-
Deferred charges on refunding.....	(61,351)	-	(61,351)	-
Capital grants.....	4,630,861	-	4,630,861	-
Acquisition and construction of capital assets.....	(7,129,401)	(232,731)	(7,362,132)	-
Principal payments on bonds.....	(2,017,386)	(155,000)	(2,172,386)	-
Interest expense.....	(403,900)	(36,499)	(440,399)	-
Interfund loan.....	-	500,000	500,000	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(4,141,076)	75,770	(4,065,306)	-
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Investment income.....	17,387	3,992	21,379	7,893
NET CASH FROM INVESTING ACTIVITIES.....	17,387	3,992	21,379	7,893
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	638,797	303,333	942,130	562,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	7,866,750	530,732	8,397,482	4,155,348
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 8,505,547	\$ 834,065	\$ 9,339,612	\$ 4,718,094
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 5,096,243	\$ 265,390	\$ 5,361,633	\$ (301,390)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,343,313	125,342	1,468,655	-
Changes in assets and liabilities:				
Charges for services receivable.....	(86,739)	-	(86,739)	-
Due to other funds.....	-	(25,000)	(25,000)	-
Prepaid expenses.....	1,522	66,311	67,833	-
Warrants payable.....	(24,076)	(96,380)	(120,456)	25,031
Postemployment benefits.....	100,957	(3,216)	97,741	-
Accrued liabilities.....	92,762	689	93,451	21,212
Other liabilities.....	-	1,569	1,569	-
Accrued compensated absences.....	47,210	18,903	66,113	-
Workers' compensation.....	-	-	-	810,000
Total adjustments.....	1,474,949	88,218	1,563,167	856,243
NET CASH FROM OPERATING ACTIVITIES.....	\$ 6,571,192	\$ 353,608	\$ 6,924,800	\$ 554,853

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 1,943,864	\$ 574,234	\$ 1,417,902	\$ -
Investments.....	220,620,126	15,917,829	3,431,598	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	16,626	-	-	678,709
Due from other funds.....	-	-	254,551	-
<b>TOTAL ASSETS.....</b>	<b>222,580,616</b>	<b>16,492,063</b>	<b>5,104,051</b>	<b>678,709</b>
<b>LIABILITIES</b>				
Warrants payable.....	148,114	-	2,698	-
Accrued liabilities.....	-	-	273,938	-
Other liabilities.....	-	-	-	424,158
Due to other funds.....	-	-	-	254,551
<b>TOTAL LIABILITIES.....</b>	<b>148,114</b>	<b>-</b>	<b>276,636</b>	<b>678,709</b>
<b>NET POSITION</b>				
Held in trust for pension benefits, OPEB, and other purposes	\$ <u>222,432,502</u>	\$ <u>16,492,063</u>	\$ <u>4,827,415</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 16,233,221	\$ 2,601,927	\$ -
Employee.....	5,716,133	-	-
Private donations.....	-	-	137,681
Total contributions.....	21,949,354	2,601,927	137,681
Net investment income (loss):			
Net change in fair value of investments.....	19,479,306	-	-
Investment income (loss).....	3,205,247	1,169,378	384,129
Total investment income (loss).....	22,684,553	1,169,378	384,129
Less: investment expense.....	(1,122,186)	-	-
Net investment income (loss).....	21,562,367	1,169,378	384,129
Intergovernmental.....	633,437	-	-
Transfers from other systems.....	525,222	-	-
TOTAL ADDITIONS.....	44,670,380	3,771,305	521,810
<b>DEDUCTIONS:</b>			
Administration.....	389,836	-	1,006
Transfers to other systems.....	904,085	-	-
Retirement benefits and refunds.....	25,384,768	-	-
Educational scholarships.....	-	-	257,034
TOTAL DEDUCTIONS.....	26,678,689	-	258,040
CHANGE IN NET POSITION.....	17,991,691	3,771,305	263,770
NET POSITION AT BEGINNING OF YEAR.....	204,440,811	12,720,758	4,563,645
NET POSITION AT END OF YEAR.....	\$ 222,432,502	\$ 16,492,063	\$ 4,827,415

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Brookline, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

**A. Reporting Entity**

The Town was founded in 1630 as a part of Boston and was incorporated in 1705 under the Statutes of the Commonwealth of Massachusetts. The Town operates under a representative Town Meeting form of government and provides the following services to the residents of its community: administrative, public safety, public works, education, community development, water and sewer, health and human services, elder and leisure services.

The Town of Brookline is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the Town and the component unit.

The Brookline Contributory Retirement System (System) was established to provide retirement benefits to Town employees, the Brookline Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), an appointee of the Board of Selectmen, two members elected by the Retirement System's participants, and one member appointed by the other four Board members. The Retirement System is presented using the accrual basis of accounting and is reported as the Pension Trust Fund in the fiduciary fund financial statements.

**Availability of Financial Information for Component Units**

The Retirement System did not issue a separate audited financial statement. The Retirement System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the Retirement System located at 11 Pierce Street, Brookline, MA 02445.

**Joint Ventures** – The Town is a member of the Massachusetts Water Resources Authority (MWRA), a joint venture with other Massachusetts governmental entities that was organized to provide water and sewer services to the respective members' Cities, Towns, and Districts. Complete financial statements for the MWRA can be obtained directly from their administrative office located at 100 First Avenue, Building 39, Boston, Massachusetts 02129.

The Town is also a member of the Massachusetts Bay Transportation Authority (MBTA), a joint venture with other Massachusetts governmental entities that was organized to provide public transportation services to the respective members' Cities, Towns, and Districts. Complete financial statements for the MBTA can be obtained directly from their administrative office located at 10 Park Plaza, Boston, Massachusetts 02116.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.



Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days of fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Runkle School renovation fund* is used to account for financial resources for the renovation of the Runkle School building.

The *capital article fund* is used to account for revenue financed capital projects.

The *chapter 90 highway fund* is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks.

The nonmajor governmental funds consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water & sewer enterprise fund* is used to account for the water and sewer activities.

The *golf enterprise fund* is used to account for the Town's golf course activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to health insurance, workers' compensation, unemployment and municipal building insurance. The Town also uses this fund to accumulate reserves for postemployment benefits.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefits trust fund* is used to accumulate assets which will be used to offset future postemployment benefit costs.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate Taxes, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***Refuse***

Refuse fees are levied quarterly for each type of property that utilizes the collection service and are based upon a third party waste collection contract. Refuse fees are recorded receivables in the fiscal year of the levy. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Water & Sewer***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed annually and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered fully collectible and therefore do not report an allowance for uncollectibles.

***Departmental and Other***

Departmental and other receivables consist primarily of police and fire details and parking tickets and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Loans***

The Department of Community and Economic Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

**F. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**G. Restricted Assets**

Certain assets of the enterprise fund are classified as restricted if their use is restricted by contract covenants.

H. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

I. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costing more than \$15,000 and having a useful life of greater than one year are capitalized.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-50
Buildings.....	5-50
Machinery and equipment.....	3-20
Infrastructure.....	10-75

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

### J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

The general fund has provided a long-term interest free loan to the golf enterprise fund and these balances are included in the statement of net position as "internal balances".

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

The general fund has provided a long-term interest free loan to the golf enterprise fund and these balances are included in the fund statements as "Due from other funds" or "Due to other funds".

### K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

#### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### L. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. In addition, property taken by the Town through the foreclosure process is recorded as an asset and deferred revenue. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Loans” represents community development outstanding loans receivable balances.

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other Purposes” represents amounts restricted by outside sources for specific purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Comptroller has the authority to assign fund balance. Funds are assigned when the Town has an obligation to purchase goods or services from the current years’ appropriation.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### N. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable material bond premium or discount.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

The golf, water and sewer enterprise funds and the internal service funds retain their investment income.

#### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.



Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

R. Individual Fund Deficits

At fiscal year-end several individual fund deficits exist in the Special Revenue Fund that will be funded through grants and available fund balances in the next fiscal year.

S. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the pension trust fund and the other postemployment benefits trust fund are held separately from those of other funds.

For the general fund, statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). Trust fund investments are subject to the Town's investment policies which are described further in this note. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At fiscal year-end, the carrying amount of deposits totaled \$69,806,649 and the bank balance totaled \$76,797,612. Of the bank balance, \$1,319,131 was covered by Federal Depository Insurance, \$46,114,195 was covered by the Depositors Insurance Fund, and \$29,364,286 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$69,806,649 in deposits and \$20,368,474 in cash equivalents. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts total \$88,182,987 and \$1,992,136, respectively. See investments below for amounts designated as cash equivalents.

At December 31, 2012, the carrying amount of deposits for the Retirement System totaled \$377,503 and the bank balance totaled \$682,277. The entire bank balance of \$682,227 was covered by Federal Depository Insurance.

The Retirement System's cash and cash equivalents consist of \$377,503 in deposits and \$1,566,361 in cash equivalents, totaling \$1,943,864. See investments below for amounts designated as cash equivalents.

Investments

The Town of Brookline had the following investments, including cash equivalents classified as investments, at June 30, 2013:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities</u>					
United States Treasury.....	\$ 1,253,003	\$ -	\$ 363,824	\$ 775,252	\$ 113,927
Federal National Mortgage Asso.....	833,299	5,016	-	-	828,283
Federal Home Loan Mortgage Corp.....	14,192	-	2,015	-	12,177
Corporate Bonds.....	23,109	-	23,109	-	-
Total Debt Securities.....	\$ 2,123,603	\$ 5,016	\$ 388,948	\$ 775,252	\$ 954,387
<u>Other Investments</u>					
Alternative Investments - hedge funds.....	2,114,598				
Bond Mutual Funds.....	637,771				
Equity Securities.....	10,167,903				
Equity Mutual Funds.....	10,101,845				
Money Market Mutual Funds (*).....	188,601				
MMDT (*).....	20,179,873				
Total Investments.....	\$ 45,514,194				

(\*) designates cash equivalent

Total investments per above.....	\$ 45,514,194
Less: cash equivalents.....	(20,368,474)
Total Investments.....	\$ 25,145,720

The Town's investments are reported in both the primary government and the fiduciary funds. Those amounts total \$5,796,293 and \$19,349,427, respectively.

As of December 31, 2012, the Retirement System had the following investments:

<u>Other Investments</u>	
Equity Securities.....	\$ 15,031,989
International Securities.....	6,053,991
Equity Mutual Funds.....	81,740,153
Bond Mutual Funds.....	47,634,408
PRIT Investments.....	30,227,900
Alternative Investments-Real Estate.....	39,931,685
Money Market Mutual Funds (*).....	<u>1,566,361</u>
Total Investments.....	\$ <u>222,186,487</u>

(\*) designates cash equivalent

#### Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's investments, \$1,253,003 in U.S. Treasury Securities, \$833,299 in Federal National Mortgage Association, \$14,192 in Federal Home Loan Mortgage Corporation, \$23,109 in Corporate Bonds and \$10,167,903 in Equity Securities, the Town has custodial credit risk exposure of \$12,291,506 because the related securities are uninsured, unregistered and held by the counterparty.

The Town has an investment policy for custodial credit risk that states; 1) a maximum of 70% of the Town's portfolio can be in equity securities and further that any one security can make up only 5% of the Town's portfolio, 2) a maximum of 50% of the Town's portfolio can be in fixed income securities, 3) a maximum of 20% of the Town's portfolio can be in cash. The policy also states that there are no limits or restrictions with respect to U.S. Government Securities and that the minimum rating of bonds shall be investment grade.

#### Interest Rate Risk – Town Investments

In investments other than the general fund, the Town's formal investment policy limits the selection of investments to the prudent investor rule, which states that the trustee should exercise reasonable care, skill, and caution. The Town contracts with an investment manager who assists the Town in managing the investment exposure to fair value losses arising from increasing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk – Town Investments

The Town has adopted a formal policy related to credit risk. At June 30, 2013 the Town's debt securities were rated as follows:

Rated Debt Investments - Town					
Quality Ratings	United States Treasury	Federal National Mortgage Asso.	Federal Home Loan Mortgage Corp.	Corporate Bonds	Total
AA+.....	\$ 1,253,003	\$ 833,299	\$ 14,192	\$ 11,559	\$ 2,112,053
BBB.....	-	-	-	11,550	11,550
Fair Value.....	\$ <u>1,253,003</u>	\$ <u>833,299</u>	\$ <u>14,192</u>	\$ <u>23,109</u>	\$ <u>2,123,603</u>

Custodial Credit Risk – Retirement System Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Retirement System will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Retirement System's investments the \$15,031,989 in Equity Securities and \$6,053,991 in International Securities the Retirement System has custodial credit risk exposure of \$21,085,980 because the related securities are uninsured, unregistered and held by the counterparty.

The Retirement System has an investment policy for custodial credit risk that states the Retirement System is willing to accept a level of market risk consistent with moderate interim volatility without sacrificing the potential for long-term real growth of assets. To accomplish this goal the Retirement System will utilize extensive diversification to minimize company and industry specific risks while avoiding extreme levels of volatility that could adversely affect the Retirement Systems' participants.

Interest Rate Risk – Retirement System

The Retirement System has a formal investment policy that establishes the objectives and constraints that govern the investment of the Retirement System's assets. The Retirement System's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments. When managing assets the Retirement System at all times must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA) and Department of Labor regulations.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 10.37 years.

Concentration of Credit Risk

The Town limits the amount that may be invested in any one issuer to 5% of the total investments. At June 30, 2013, the Town does not have any investments that exceed the 5% threshold.

The Retirement System limits the amount that may be invested in any one issuer to 5% of the total investments. At December 31, 2012, the Retirement System does not have any investments that exceed the 5% threshold.

**NOTE 3 – RECEIVABLES**

At June 30, 2013, receivables for the individual major governmental funds and non-major internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 2,430,118	\$ -	\$ 2,430,118
Tax liens.....	1,188,571	-	1,188,571
Motor vehicle and other excise taxes.....	466,703	(333,815)	132,888
User fees.....	103,022	-	103,022
Departmental and other.....	4,337,254	(1,458,886)	2,878,368
Intergovernmental.....	7,729,493	-	7,729,493
Loans.....	87,419	-	87,419
Total.....	<u>\$ 16,342,580</u>	<u>\$ (1,792,701)</u>	<u>\$ 14,549,879</u>

At June 30, 2013, receivables for the water and sewer enterprise fund totaled \$5,419,407. The amount is considered fully collectible.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Type:</u>			
Real estate and personal property taxes....	\$ 1,836,357	\$ -	\$ 1,836,357
Tax liens.....	1,052,787	-	1,052,787
Motor vehicle and other excise taxes.....	132,888	-	132,888
User fees.....	103,022	-	103,022
Departmental and other.....	3,037,656	775,460	3,813,116
Intergovernmental.....	3,859,000	3,826,968	7,685,968
<u>Other asset type:</u>			
Due from other funds.....	225,000	-	225,000
Total.....	<u>\$ 10,246,710</u>	<u>\$ 4,602,428</u>	<u>\$ 14,849,138</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 874,873	\$ -	\$ -	\$ 874,873
Construction in progress.....	27,178,194	8,689,071	-	35,867,265
Total capital assets not being depreciated.....	28,053,067	8,689,071	-	36,742,138
<u>Capital assets being depreciated:</u>				
Land improvements.....	22,239,767	1,396,556	-	23,636,323
Buildings.....	244,422,776	2,174,160	-	246,596,936
Machinery and equipment.....	24,441,349	1,010,286	-	25,451,635
Infrastructure.....	42,681,115	3,376,985	(1,753,225)	44,304,875
Total capital assets being depreciated.....	333,785,007	7,957,987	(1,753,225)	339,989,769
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(10,203,239)	(904,296)	-	(11,107,535)
Buildings.....	(101,621,092)	(5,653,653)	-	(107,274,745)
Machinery and equipment.....	(13,610,411)	(1,942,083)	-	(15,552,494)
Infrastructure.....	(23,653,574)	(1,456,299)	1,753,225	(23,356,648)
Total accumulated depreciation.....	(149,088,316)	(9,956,331)	1,753,225	(157,291,422)
Total capital assets being depreciated, net.....	184,696,691	(1,998,344)	-	182,698,347
Total capital assets, net.....	\$ 212,749,758	\$ 6,690,727	\$ -	\$ 219,440,485
<b>Water &amp; Sewer Activities:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 201,230	\$ -	\$ -	\$ 201,230
Buildings.....	2,570,876	-	-	2,570,876
Machinery and equipment.....	1,674,925	348,487	-	2,023,412
Infrastructure.....	66,150,228	5,982,701	-	72,132,929
Total capital assets being depreciated.....	70,597,259	6,331,188	-	76,928,447
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(66,469)	(6,574)	-	(73,043)
Buildings.....	(1,119,097)	(56,077)	-	(1,175,174)
Machinery and equipment.....	(1,086,029)	(151,067)	-	(1,237,096)
Infrastructure.....	(16,943,149)	(1,129,595)	-	(18,072,744)
Total accumulated depreciation.....	(19,214,744)	(1,343,313)	-	(20,558,057)
Total capital assets being depreciated, net.....	\$ 51,382,515	\$ 4,987,875	\$ -	\$ 56,370,390

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Golf Course Activities:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 1,343,024	\$ 232,731	\$ -	\$ 1,575,755
Buildings.....	1,637,365	-	-	1,637,365
Machinery and equipment.....	143,930	-	-	143,930
Total capital assets being depreciated.....	3,124,319	232,731	-	3,357,050
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(391,252)	(62,121)	-	(453,373)
Buildings.....	(507,322)	(38,273)	-	(545,595)
Machinery and equipment.....	(60,230)	(24,948)	-	(85,178)
Total accumulated depreciation.....	(958,804)	(125,342)	-	(1,084,146)
Total capital assets being depreciated, net.....	\$ 2,165,515	\$ 107,389	\$ -	\$ 2,272,904

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 597,296
Public safety.....	1,245,713
Education.....	3,898,982
Public works.....	3,310,465
Leisure services.....	684,431
Human services.....	219,444
Total depreciation expense - governmental activities.....	\$ 9,956,331

**Business-Type Activities:**

Water and Sewer.....	\$ 1,343,313
Golf.....	125,342
Total depreciation expense - business-type activities.....	\$ 1,468,655

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Capital Article Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 11,812,460	\$ 316,363	\$ 12,128,823
Nonmajor Governmental Funds.....	7,573,319	-	-	7,573,319
Capital Article Fund.....	187,673	-	-	187,673
Water & Sewer Enterprise Fund.....	1,808,706	-	-	1,808,706
Golf Enterprise Fund.....	130,037	-	-	130,037
	\$ 9,699,735	\$ 11,812,460	\$ 316,363	\$ 21,828,558

Transfers represent amounts voted to fund the fiscal year 2013 operating budget and indirect costs transfers from the enterprise funds.

**NOTE 6 - SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
BAN	Schools.....	0.65	05/21/13	\$ -	\$ 650,000	\$ -	\$ 650,000

**NOTE 7 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

On May 30 of the current fiscal year, the Town issued \$12,375,000 of general obligation bonds which was comprised of a \$6,770,000 advance refunding, and \$5,605,000 of new general obligation bonds. See below for a description of each issuance.

In order to take advantage of favorable interest rates the Town issued \$6,770,000 of general obligation refunding bonds. \$6,715,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. The Town has decreased its aggregate debt service by \$530,179 and resulted in an economic gain of \$483,617. At June 30, 2013, \$5,990,000 of governmental and \$725,000 of enterprise fund bonds outstanding from the advance refunding are considered defeased.

The Town issued \$5,605,000 of new general obligation bonds. The current year financial statements have recognized bond proceeds in the amount of \$5,105,000 in the governmental funds, and \$500,000 in the sewer enterprise fund.

In previous fiscal years, certain general obligation bonds and enterprise fund bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, all prior defeased bonds have reached their call dates and the trust assets would have been used to pay down the remaining balances.



Details related to the Town's outstanding indebtedness and debt service requirements follow.

<b>Governmental Funds</b>							
Project	Maturities Through		Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Outstanding at June 30, 2013
<i>Inside Debt Limit</i>							
Schools.....	2013	\$	32,695,202	2.00-5.00	\$ 19,589,834	\$ 1,500,000	\$ 18,060,500
General Government.....	2028		46,016,075	2.00-5.00	28,265,476	9,648,600	29,003,776
Sub-total.....					47,855,310	11,148,600	47,064,276
<i>Outside Debt Limit</i>							
Schools.....	2032		19,760,000	2.00-4.00	17,920,000	-	16,465,000
Total Governmental Bonds Payable.....					65,775,310	11,148,600	63,529,276
<b>Enterprise Funds</b>							
<i>Inside Debt Limit</i>							
Golf Course Enterprise Fund....	2032		1,219,000	2.00-4.50	1,054,000	-	899,000
Water Enterprise Fund.....	2022		11,492,530	2.00-5.00	5,251,190	-	4,197,824
Sewer Enterprise Fund.....	2021		10,077,200	0.00-5.00	6,464,601	1,454,210	6,229,791
Total Enterprise Bonds Payable.....					12,769,791	1,454,210	11,326,615
Total Bonds Payable.....					\$ 78,545,101	\$ 12,602,810	\$ 74,855,891

Debt service requirements for principal and interest for governmental bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 7,185,688	\$ 2,060,676	\$ 9,246,364
2015.....	6,567,294	1,920,434	8,487,728
2016.....	6,143,794	1,719,192	7,862,986
2017.....	5,915,000	1,521,956	7,436,956
2018.....	5,467,500	1,331,133	6,798,633
2019.....	5,100,000	1,147,245	6,247,245
2020.....	4,770,000	974,694	5,744,694
2021.....	3,315,000	800,392	4,115,392
2022.....	3,305,000	671,432	3,976,432
2023.....	2,730,000	551,930	3,281,930
2024.....	2,225,000	452,319	2,677,319
2025.....	2,220,000	383,443	2,603,443
2026.....	1,845,000	311,455	2,156,455
2027.....	1,645,000	246,287	1,891,287
2028.....	1,645,000	185,113	1,830,113
2029.....	975,000	119,437	1,094,437
2030.....	975,000	87,188	1,062,188
2031.....	975,000	51,748	1,026,748
2032.....	525,000	15,750	540,750
Totals.....	\$ 63,529,276	\$ 14,551,825	\$ 78,081,101

Debt service requirements for principal and interest for enterprise fund bonds and notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014..... \$	2,226,894	\$ 365,222	\$ 2,592,116
2015.....	1,895,288	303,675	2,198,963
2016.....	1,883,788	243,015	2,126,803
2017.....	1,617,582	182,149	1,799,731
2018.....	1,228,063	129,600	1,357,663
2019.....	880,000	89,468	969,468
2020.....	750,000	58,507	808,507
2021.....	415,000	31,656	446,656
2022.....	175,000	15,956	190,956
2023.....	75,000	9,556	84,556
2024.....	25,000	6,733	31,733
2025.....	25,000	5,882	30,882
2026.....	25,000	4,976	29,976
2027.....	20,000	4,062	24,062
2028.....	20,000	3,332	23,332
2029.....	20,000	2,543	22,543
2030.....	20,000	1,780	21,780
2031.....	20,000	974	20,974
2032.....	5,000	150	5,150
Totals..... \$	<u>11,326,615</u>	<u>\$ 1,459,236</u>	<u>\$ 12,785,851</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, \$557,000 of such assistance was received for reimbursement. Approximately \$4,645,000 will be received in future fiscal years. Of this amount, \$786,000 represents reimbursement of long-term interest costs, and \$3,859,000 represents reimbursement of approved construction costs. Accordingly, a \$3,859,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In fiscal 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. The Town has been approved for projects at the Runkle and Heath Schools under this program. Through the end of fiscal year 2013, the Town has recorded capital grant revenue totaling approximately \$10,107,000 and \$2,811,000 respectfully, from the MSBA which is equal to 42% and 40% of approved construction costs incurred to date. The Town received \$4,574,000 of reimbursements related to the Runkle School and \$1,749,000 related to the Heath School in fiscal 2013.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
Runkle School.....	\$ 1,163,945
Carlton Street Foot Bridge.....	1,245,000
Golf - Grounds.....	815,000
Muddy River Project.....	745,000
Heath School.....	515,906
Sewers.....	2,686,155
Total.....	<u>\$ 7,171,006</u>

### Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

#### **Governmental Funds**

	Balance June 30, 2012	Bonds Issued	Bonds Redeemed	Other Net Increase (Decrease)	Balance June 30, 2013	Current Portion
Long-Term Bonds.....	\$ 65,775,310	\$ 11,148,600	\$ (13,394,634)	\$ -	\$ 63,529,276	\$ 7,185,688
Unamortized premium on bonds payable...	630,808	-	-	378,252	1,009,060	123,856
Other Postemployment Benefits.....	37,868,889	-	-	4,717,779	42,586,668	-
Workers' Compensation.....	995,000	-	-	810,000	1,805,000	270,750
Compensated Absences.....	9,126,709	-	-	(963,523)	8,163,186	5,950,432
Landfill Closure.....	4,870,000	-	-	(50,000)	4,820,000	75,000
Total.....	<u>\$ 119,266,716</u>	<u>\$ 11,148,600</u>	<u>\$ (13,394,634)</u>	<u>\$ 4,892,508</u>	<u>\$ 121,913,190</u>	<u>\$ 13,605,726</u>

#### **Business-Type Activities**

	Balance June 30, 2012	Bonds Issued	Bonds Redeemed	Other Net Increase (Decrease)	Balance June 30, 2013	Current Portion
Long-Term Bonds.....	\$ 12,769,791	\$ 1,454,210	\$ (2,897,386)	\$ -	\$ 11,326,615	\$ 2,226,894
Unamortized premium on bonds payable...	103,604	-	-	(6,963)	96,641	5,160
Other Postemployment Benefits.....	1,460,208	-	-	97,741	1,557,949	-
Compensated Absences.....	343,677	-	-	66,113	409,790	316,050
Total.....	<u>\$ 14,677,280</u>	<u>\$ 1,454,210</u>	<u>\$ (2,897,386)</u>	<u>\$ 156,891</u>	<u>\$ 13,390,995</u>	<u>\$ 2,548,104</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$1,805,000 of internal service fund accrued liabilities is included above. Except for the amounts related to the internal service funds and a portion of the bonds, the governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS					
	General	Chapter 90 Highway Fund	Runkle School Renovation Fund	Capital Article Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>						
Nonspendable:						
Permanent fund principal..... \$	- \$	- \$	- \$	- \$	1,368,059 \$	1,368,059
Restricted for:						
Housing trust funds.....	-	-	-	-	4,928,244	4,928,244
Parking meter fund.....	-	-	-	-	3,855,362	3,855,362
Revolving funds.....	-	-	-	-	1,729,719	1,729,719
Trust funds.....	-	-	-	-	12,071	12,071
Federal grant funds.....	-	-	-	-	541,638	541,638
Gift and grant funds.....	-	-	-	-	3,163,064	3,163,064
Storm damage fund.....	-	-	-	-	49,591	49,591
Sale of cemetery lots/ graves.....	-	-	-	-	409,284	409,284
Non-expendable permanent funds.....	-	-	-	-	98,962	98,962
Cemetery perpetual care.....	-	-	-	-	126,937	126,937
Library permanent fund.....	-	-	-	-	4,682,105	4,682,105
Other permanent funds.....	-	-	-	-	510,098	510,098
Committed to:						
Revenue financed capital article major fund.....	-	-	235,340	16,781,203	-	17,016,543
Debt financed school capital projects.....	-	-	-	-	201,559	201,559
Debt financed town capital projects.....	-	-	-	-	5,548,659	5,548,659
Assigned to:						
General government.....	213,464	-	-	-	-	213,464
Public safety.....	293,315	-	-	-	-	293,315
Education.....	622,770	-	-	-	-	622,770
Public works.....	213,481	-	-	-	-	213,481
Human services.....	10,263	-	-	-	-	10,263
Leisure services.....	22,298	-	-	-	-	22,298
Employee benefits.....	19,389	-	-	-	-	19,389
Unassigned.....	25,833,833	(141,385)	-	-	-	25,692,448
<b>TOTAL FUND BALANCES (DEFICIT)..... \$</b>	<b>\$ 27,228,813</b>	<b>\$ (141,385)</b>	<b>\$ 235,340</b>	<b>\$ 16,781,203</b>	<b>\$ 27,225,352</b>	<b>\$ 71,329,323</b>

Unassigned fund balance of the General Fund includes \$7.7 million of available funds voted to fund the fiscal year 2014 operating budget.

## NOTE 9 – STABILIZATION FUND

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At fiscal year-end, the balance of the General Stabilization Fund is \$5,846,185 and is reported as unassigned fund balance within the General Fund. The fund earned \$37,325 of investment income during fiscal year 2013. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is self-insured for its workers' compensation, unemployment and municipal building insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Any incurred but not reported liability related to unemployment and municipal building insurance is deemed immaterial and is therefore not recorded.

**(a) Workers' Compensation**

Claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$800,000. The estimated future workers' compensation liability is based on history and injury type.

At June 30, 2013, the amount of the liability for workers' compensation claims totaled \$1,805,000. Changes in the reported liability since July 1, 2011, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2013.....\$	995,000	\$ 2,193,683	\$ (1,383,683)	\$ 1,805,000
Fiscal Year 2012.....	983,000	1,605,259	(1,593,259)	995,000

**NOTE 11 - PENSION PLAN**

*Plan Description* - The Town contributes to the Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Brookline Contributory Retirement Board. Substantially all employees are members of the Retirement System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$16,082,853 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The Retirement System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Brookline Contributory Retirement Board and are borne by the Retirement System. The Retirement System issues a publicly available financial report prepared in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the Retirement System located at 11 Pierce Street, Brookline, MA 02445.

At December 31, 2012, the Retirement System's membership consists of the following:

Active members.....	1,368
Inactive members.....	1,339
Disabled members.....	180
Retirees and beneficiaries currently receiving benefits.....	<u>663</u>
Total.....	<u><u>3,550</u></u>

**Funding Policy** - Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings.

The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 97%, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

**Annual Pension Cost** - The Town's contributions to the Retirement System for the fiscal years ended June 30, 2013, 2012, and 2011 were approximately \$15,644,000, \$14,442,000, and \$13,822,000, respectively, which equaled its required contribution for each fiscal year. At June 30, 2013, the Town did not have a net pension obligation. The required contribution was determined as part of an actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases of 3.5% for fiscal year 2013 and 4.5 - 4.75% for fiscal years starting with fiscal year 2014. The actuarial value of the Retirement System's assets was determined using the market value of assets less unrecognized return in each of the last five years. The Retirement System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2013 was 17 years.

**Schedule of Funding Progress (Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/12	\$ 222,782,140	\$ 398,901,990	\$ 176,119,850	55.8%	\$ 61,285,463	287.4%
1/1/10	220,576,982	357,980,915	137,403,933	61.6%	58,622,493	234.4%
1/1/08	223,598,975	332,222,063	108,623,088	67.3%	59,789,007	181.7%
1/1/06	190,818,205	299,355,769	108,537,564	63.7%	58,277,406	186.2%
1/1/04	177,153,465	265,441,629	88,288,164	66.7%	52,378,086	168.6%
1/1/02	171,285,347	250,478,343	79,192,996	68.4%	45,109,610	175.6%
1/1/00	160,983,529	217,964,030	56,980,501	73.9%	43,028,894	132.4%

Funding progress is reported based on the biennial actuarial valuation performed by the Retirement System, and is being accumulated on a biennial basis. The Town is responsible for approximately 97% of the unfunded liability.

**Noncontributory Retirement Allowance** – The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the Retirement System. The general fund expenditure for fiscal year 2013 totaled approximately \$196,000.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Town implemented the provisions of GASB Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and established its “Other Postemployment Benefits Trust Fund”. The Town voted to begin funding its OPEB liabilities through the use of this fund.

*Plan Description* - The Town of Brookline administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* - Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. For 2013, the Town contributes 78% of the cost of current-year premiums for healthcare for eligible retired plan members and their spouses and 75% of current-year premiums for life insurance for eligible plan members. For fiscal year 2013, the Town contributed \$12.3 million to the plan.

*Annual OPEB Cost and Net OPEB Obligation* - The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for fiscal year 2013:

Annual required contribution.....	\$ 16,290,766
Interest on existing net OPEB obligation.....	2,851,360
Adjustments to annual required contribution.....	<u>(2,047,731)</u>
Annual OPEB cost (expense).....	17,094,395
Contributions made.....	<u>(12,278,875)</u>
Increase/Decrease in net OPEB obligation.....	4,815,520
Net OPEB obligation - beginning of year.....	<u>39,329,097</u>
Net OPEB obligation - end of year.....	<u><u>\$ 44,144,617</u></u>



The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$ 17,094,395	71.8%	\$ 44,144,617
6/30/12	16,268,331	71.6%	39,329,097
6/30/11	15,562,334	71.0%	34,716,281

*Funded Status and Funding Progress* - As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$202 million, of which the Town has funded approximately \$12.7. The covered payroll (annual payroll of active employees covered by the plan) was \$128.6 million, and the ratio of the UAAL to the covered payroll was 147.69 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 0.5 percent after six years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 30 years.

### **NOTE 13 - LANDFILL CLOSURE COSTS**

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1972. The Town has reflected \$4,820,000 as the estimate of the rear landfill closure liability at June 30, 2013, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 14 - INTERFUND LOAN**

On June 12, 2001, the General Fund issued an interest free note in the amount of \$500,000 to Putterham Meadows Golf Club Enterprise Fund to meet projected and capital expenses. The note is payable at \$25,000 per year, due on July 1 of each year. At June 30, 2013 the outstanding loan balance was \$225,000.

On August 7, 2012, the General Fund issued an interest free note in the amount of \$500,000 to Putterham Meadows Golf Club Enterprise Fund for the construction of a maintenance shed. The note is payable at \$25,000 per year, beginning in fiscal year 2014. At June 30, 2013 the outstanding loan balance was \$500,000.

**NOTE 15 - COMMITMENTS**

The Town has entered into a long-term contract with Whitney Trucking Inc. to load, haul and dispose of municipal solid waste. The Town is charged a flat rate per ton that is subject to increase annually. There are no minimum tonnage requirements that the Town must comply with.

The Town entered into an agreement with Waste Management of Massachusetts, Inc. to provide single stream recycling for the Town. The fiscal year 2013 cost to the Town was approximately \$880,000 and the expected cost for fiscal year 2014 is \$927,000. This contract expires on June 30, 2014.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for regular transportation. The fiscal year 2013 cost to the Town was approximately \$597,000 and the expected cost for fiscal year 2014 is \$524,000. The contract expires on August 31, 2014.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc. to provide transportation for its special needs students. The contract bears an annual cost of approximately \$1.2 million and it expires on August 31, 2014.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$7.2 million for renovations to the Runkle School, the Heath School, various sewer improvements, renovations to the Carlton Street Foot Bridge and various other projects.

**NOTE 16 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

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EDWARDS WILDMAN PALMER LLP  
111 HUNTINGTON AVENUE  
BOSTON, MA 02199  
+1 617 239 0100 main +1 617 227 4420 fax  
edwardswildman.com

(Date of Delivery)

Stephen E. Cirillo, Finance Director/Treasurer  
Town of Brookline  
Brookline, Massachusetts

\$8,400,000  
Town of Brookline, Massachusetts  
General Obligation Municipal Purpose Loan of 2014 Bonds  
Dated May 29, 2014

We have acted as bond counsel to the Town of Brookline, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS WILDMAN PALMER LLP

AM 32308371.1

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Brookline, Massachusetts (the “Issuer”) in connection with the issuance of its \$8,400,000 General Obligation Municipal Purpose Loan of 2014 Bonds dated May 29, 2014 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated May 14, 2014 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles[, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.



7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Issuer.\*
  13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: May 29, 2014

TOWN OF BROOKLINE,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

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\_\_\_\_\_  
Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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